

# UZBEKISTAN

## Freedom in the World Ratings, 1989-1998

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
<b>Political Rights</b>	-	-	6	6	7	7	7	7	7
<b>Civil Liberties</b>	-	-	5	6	7	7	7	6	6
<b>Status</b>	-	-	PF	NF	NF	NF	NF	NF	NF

**Polity:** Consolidated Autocracy

**Economy:** Consolidated Statist

**Population:** 23,188,000

**PPP:** \$2,376

**Ethnic Groups:** Uzbek (71 percent), Russian (8 percent), Tajik, Ukrainian, Turk, others

**Capital:** Tashkent

### Political Process 6.50/7

**1. When did national legislative elections occur? Were they free and fair? How were they judged by domestic and international election monitoring organizations? Who composes the government?** The most recent national legislative elections took place on December 25, 1994. Runoff elections were held on January 8, 1995 (for 39 seats) and January 22, 1995 (for 6 seats). At that time, 634 candidates vied for the 250 seats in the *Oliy Majlis* (Supreme Council or Soviet). Of these, 243 were from the governing *Halq Tarakiati Partiiasi* (People's Democratic Party, or HDP), 141 were from the *Watan Tarakiati Partiiasi* (Progress of the Fatherland Party, or WTP), and 250 were candidates chosen by local and regional councils and were technically "non-affiliated." The HDP won 69 seats, the WTP captured 14 seats, and the independent candidates won the remaining 167 seats, suggesting that party politics is not important. However, 124 of the independent candidates were actually registered members of the HDP, giving that party control of 193 of the 250 seats in the Oliy Majlis. The elections were not considered free and fair by international observers and organizations. Instances of "family voting" and over inflation of voting results were reported. That said, in recent years, President Islam Karimov has repeatedly stated that the December 1999 elections and the January 2000 presidential elections will be the most open elections to date in Uzbekistan, and has encouraged international observers to scrutinize them. Uzbekistan's political system is a presidential one, thus the legislature has nominal authority to form a government. The government is comprised of presidential appointees, although the chairman of the Oliy Majlis, Erkin Khalilov, was elected by parliamentarians.

**2. When did presidential elections occur? Were they free and fair?** The only post-independence presidential election took place on December 29, 1991. At that time, the last Soviet-era first

secretary of the Uzbek Soviet Socialist Republic (and only president of the Uzbek SSR), Islam Karimov, defeated Muhammed Solih of the opposition party Erk (“Will”) by a margin of 86 percent to 14 percent. The election was not considered free by international observers, although domestic analysts note that it was a contested race and therefore “free and fair.” Limitations, however, on Solih’s campaign, including restrictions on rallies, dissemination of information, and media attention, as well as the prohibition of candidates from other parties, most notably Birlik’s Abdurahim Pulatov, supports the international observers’ conclusion. On March 26, 1995, a referendum was held to extend President Karimov’s term in office until the year 2000. It easily passed with 99.6 percent voter turnout and a 99.3 percent “yes” vote. The Oliy Majlis rejected Karimov’s suggestion that this extension be considered his “second term,” allowing him to compete in the January 2000 election, if he chooses to run again. An interesting legal situation could arise in that technically, a victory in the January 2000 election could be considered Karimov’s “first” using the argument that his 1991 election was under a previous constitution (prior to the passage of the December 1992 constitution), therefore allowing him to run for two full terms, noting that the 1995 referendum was a continuation of the pre-constitutional presidency.

**3. Is the electoral system multiparty-based? Are there at least two viable political parties functioning at all levels of government?** Technically, Uzbekistan is a multiparty system, with both the 1991 presidential and 1994 legislative elections officially listed as multiparty/multi-candidate races. The reality is that, at all levels, the HDP is the only significant political party in Uzbekistan. As the pro-government party in the country, the HDP is the successor to the Communist Party of Uzbekistan (CPUz), renamed as such in August 1991. Following the failed anti-Gorbachev putsch of that month, Karimov then president of the Uzbek SSR, resigned from the Communist Party and had the CPUz reformed into the HDP. Conveniently, it was able to occupy the office space, publications, and organizational and financial network of the CPUz, making it easy to maintain a prominent position in the country. Because of limitations on other parties, it is difficult to consider Uzbekistan a true multiparty state. The only real challenge to the HDP was the Erk party which was banned in 1993. While there are other political parties in Uzbekistan, none possess the same influence as the HDP. It is also important to note that, at the local level, political party affiliation appears to be unimportant. Local councils (*majlislar*) and executives (*hokimlar*) are often “independent” when it comes to party membership. At the *mahalla* (neighborhood) level, family loyalty, if anything, is more important.

**4. How many parties have been legalized? Are any particular parties illegal?** At present, there are four political parties that are considered legal in Uzbekistan. In addition to the HDP, there is the WTP, the National Revival Democratic Party (*Milli Tiklanish Demokratik Partiyasi* or MTDP), and the *Adolat* (Justice) Social Democratic Party of Uzbekistan. The WTP was founded in 1993 and, under the chairmanship of Anvar Yuldashev, considers itself to be a loyal opposition to the HDP. The MTDP and *Adolat* were founded in 1995 and likewise consider themselves to be constructive, or loyal, opposition parties. *Adolat*, for instance, was founded by 47 previously-declared independent members of the Oliy Majlis. There is also a fledgling People’s Unity Movement (*Halq Birligi*, or HB) that will offer candidates in the next legislative election. This movement, to be registered

as Uzbekistan's fifth political party, tends to draw support from the ethnic minorities in the country. The most noteworthy illegal parties remain Birlik, Erk, and the Islamic Renaissance Party (IRP). Birlik (Unity) was founded in 1988 as a social movement advocating greater Uzbek cultural and linguistic rights. With independence in 1991, it attempted to become a political force against Karimov's HDP; however, its leader, Abdurahim Polat, was unable to participate in the 1991 presidential election. After a series of crackdowns, the organization was not allowed to re-register in 1993. Its leaders remain in exile, though in 1998, Abdurahim Polat declared his intent to return to Uzbekistan and re-activate Birlik. Erk was formed in April 1990 by members of Birlik who split over ideological and tactical differences with Polat. Its leader, Mohammed Solih, was allowed to participate in the 1991 presidential election, and received 14 percent of the vote. Conflicts over its right to hold rallies and issue its news publication led the government to deny the party's re-registration effort in 1993 and, like Birlik, its leaders went into exile. Former Vice President Shukhrullo Mirsaidov, once an insider in the political system, formed the Forum for Democratic Forces later that year in an attempt to unite the opposition groups, but with no success. Unlike the other figures, Mirsaidov remains in Uzbekistan. Two religious groups — the Islamic Renaissance Party (IRP) and Adolat (Justice, not to be confused with the Adolat Social Democratic Party) — have never been allowed to register. The former was headed by Abdulla Utaev, until his disappearance in December 1992. Since that time, its officials have remained in hiding or in exile. Adolat was founded in 1991, and advocated a return to an Islamic-based political system (predating the Soviet period). Twelve members of its leadership were imprisoned in 1993 for various crimes. And while the current status of these two groups is unclear, in 1997 and 1998 President Karimov has repeatedly warned of an "Islamic threat" in Uzbekistan and the government continues to arrest and try individuals suspected of having links with these organizations. The September 19, 1996 law on political parties explicitly prohibits the formation of political parties based on religious grounds, thus sealing the legal fate of these groups. In that legislation, it is also illegal for all parties to accept financial support from state, foreign, religious, or anonymous sources. In addition, foreigners, military personnel, and "stateless people" may not join political parties.

**5. What proportion of the population belongs to political parties?** Party membership in Uzbekistan is difficult to gauge, especially if one is trying to include membership in unregistered parties. The HDP claims membership between 300,000-400,000, and the WTP declares that it has at least 35,000 members. These numbers are most likely inflated, with most political organizations membership numbers in the low thousands. In 1996, President Karimov officially left the leadership of the HDP, suggesting that party politics is not strong in Uzbekistan. This was further underscored in an International Foundation for Electrical Systems public opinion survey which discovered that only three percent of those questioned stated that they would be interested in joined a political party at all.

**6. What has been the trend in voter turnout at the municipal, provincial and national levels in recent years?** Officially, voter turnout is extremely high. These Soviet era-like numbers are mostly for international consumption and to help legitimize the president's image in the country. Anecdotal stories of voter coercion, multiple voting, and fabrication of results from polling places exist, further suggesting that tallies of 93-99 percent voter turnout are not true. Lower figures were found

in more recent studies: 81 percent of those surveyed in the IFES poll said they voted in the 1994 legislative election, and 78 percent said that they participated in the 1995 referendum to extend Karimov's mandate. That said, only 39 percent could name their district's deputy to the Oliy Majlis.

## Civil Society

6.50/7

**1. How many nongovernmental organizations (NGOs) have come into existence since 1988? What is the number of charitable/nonprofit organizations? Are there locally led efforts to increase philanthropy and volunteerism? What proportion of the population is active in private voluntary activity (from polling data)?** NGO activity in Uzbekistan has been either prompted by external assistance programs or somehow controlled by the government. Prior to independence, and in the first two years after 1991, there were several truly grass-roots organizations in Uzbekistan: specifically, the political organizations Birlik and Erk, the environmental organization Committee to Save the Aral Sea, and the ethnic-based group Samarkand. Each of these, however, faced problems in registration (or re-registration, if they had been recognized by the government) and all were declared illegal by early 1994. Since that time, the Human Rights Society of Uzbekistan (HRSU) has also tried to register, and in spite of public government claims that it will allow the HRSU to officially exist in Uzbekistan, the organization has yet to receive its official registration documents as of May 1998. In the meantime, the government itself has set up a number of social organizations that fulfill the role of NGOs. Indeed, one Uzbek critic calls these GONGOs (Government-Organized Non-Governmental Organizations). Actually a truism, this typology includes *Kamolot*, a youth organization founded in 1996 that resembles the *Komsomol*, *Watanparvar* or Patriot, which is like volunteer military groups of the Soviet period, and the *Oltin Meros* (Golden Heritage) charity group. The Uzbek government also supports the Uzbek Muslim Board's efforts in building mosques and financing religious education at approved sites. Polling data is not available to give an accurate account of how many people are involved in NGOs.

**2. What is the legal and regulatory environment for NGOs (i.e. ease of registration, legal rights, government regulation, taxation, procurement and access-to-information issues)? To what extent is NGO activism focused on improving the legal and regulatory environment?** The Law on Associations states that all groups must register with the state, or with the local wilayat government, if they are locally-formed. While the technical aspects of registration are laid out clearly, the governing body's right to reject an application is open to interpretation. Early on, social groups associated with Birlik were deemed "anti-democratic," and thus prevented from registering. In the past two years, religious-based organizations have been subjected to extensive scrutiny as President Karimov feels they could foster "wahabbist" sentiments in the country, a reference to a Sunni Muslim sect.

**3. What is the organizational capacity of NGOs? Do management structures clearly delineate authority and responsibility? Is information available on NGO management issues in the native language? Is there a core of experienced practitioners/trainers to serve as consultants or mentors to less developed organizations?** As the NGO community is still largely funded through the government or international aid agencies, it is too early to tell the organizational capacity of NGOs in Uzbekistan. On the positive side, there is a high percentage of local staff involved in internation-

ally-funded NGOs, thus a cadre of managers and trainers for future NGOs is developing. Information is becoming more readily available in local languages (especially Russian), although this is mostly concentrated in the larger cities like Tashkent and Samarkand.

**4. Are NGOs financially viable? What is their tax status? Are they obliged to and do they typically disclose revenue sources? Do government procurement opportunities exist for private, not-for-profit providers of services?** NGOs that are funded by the government or foreign programs are financially viable — at least in the short run. Groups like Kamolot are trying to obtain corporate sponsorship to provide long-term support, but most have not ventured into this arena. The tax status of NGOs is still murky, given that the Uzbek tax law is currently under review. They do pay taxes, although the rates, collection percentages, and record-keeping statistics are all unavailable.

**5. Are there free trade unions? How many workers belong to these unions? Is the number of workers belonging to trade unions growing or decreasing? What is the numerical/proportional membership of farmers' groups, small business associations, etc.?** While there is no free trade union in Uzbekistan, there are government-sponsored trade unions and shop floor associations. At present, independent union activities are still illegal. About 25 percent of Uzbekistan's labor force is in the main Trade Union that is under the aegis of the Ministry of Labor. In addition, the Employment Service and Employment Fund was set up in 1992 to address issues of social welfare, employment insurance, and health benefits for workers.

**6. What form of interest group participation in politics are legal? What types of interest groups are active in the political and policy process?** In general, interest groups in Uzbekistan stay clear of political issues. While they may advocate particular issues of importance, for example the rights of farmers and women's health, the role is strictly that of providing information in public forums. Lobbying and advocacy are not, to date, present in the Uzbek political scene. Indeed, "influence-buying" activities are illegal. Interest group activities are made even more difficult by the fact that the government strictly controls public meetings, the dissemination of information via leaflets, radio, newspapers, and television.

**7. How is the not-for-profit/NGO sector perceived by the public and government officials? What is the nature of media coverage of NGOs? To what extent do government officials engage with NGOs?** Foreign assistance-backed NGOs are still viewed fairly positively in Uzbekistan, as are the developing indigenous ones. Public opinion survey results suggest that individuals would consider joining organizations that help others more than other groups such as political parties or religious organizations. Thus, at least in the abstract, support is present. Government support is still more difficult to obtain, as registration problems and surveillance problems persist. Indeed, autonomous NGOs are sometimes viewed with suspicion — ironically, this is more case with U.S.-backed groups. Media coverage is available for NGOs and, for the most part, it is positive. Usually, this comes in the form of stories about a group — youth, environmental, womens' rights — that has carried out positive duties. NGOs that are critical of the regime or that highlight issues that

might embarrass the government are not given the same treatment. It is important to note, though, that such evidence is strictly anecdotal as no comprehensive survey has been published on this aspect of NGO activity in Uzbekistan. Finally, government officials, by their very nature of regulating and monitoring NGO activity, engage with these groups. This is especially true for those NGOs that are government-sponsored.

## Independent Media 6.50/7

**1. Are there legal protections for press freedom?** According to the constitution, the government does provide legal protection for press freedom. In May 1996, a law was passed that outlined the registration process for radio and television media. In 1997, three pieces of legislation were passed that further defined the media's place in Uzbek society. In April, the Oliy Majlis passed two laws: the first provides journalists (and citizens in general) with "freedom of access to information," and the second provides protection for journalists' sources. A Mass Media Law was passed in December 1997 which offers protection of journalists from government prosecution, but at the same time sets restrictions on what types of sources a journalist can use. Specifically, open corroboration of statements must be made, and statements made in a given article, even if quoted from another source, are the responsibility of the writer. In all of these, particularly the Law on the Media, extensive attention is given to the rights of journalists and the role that the press should play in Uzbek society. This latter point is key as it is seen as the justification for limiting press freedoms.

**2. Are there legal penalties for libeling officials? Are there legal penalties for irresponsible journalism? Have these laws been enforced to harass journalists?** Libel, public defamation of the president, and irresponsible journalism, i.e., spreading falsehoods, are all subject to financial penalty and possible imprisonment. This was underscored in the December 1997 Law on Media, which details the responsibilities and moral obligations of journalists. On occasion, the Uzbek government has criticized foreign journalists, mainly Russians, for reporting libelous stories and have either pressured them to leave the country or prohibited the distribution of their papers. This has been the case for journalists working for *Nezavisimaya gazeta*, *Izvestiia*, and Interfax.

**3. What proportion of the media is privatized? What are the major private newspapers, television stations, and radio stations?** In all areas, the majority of the media is government-run. In the past several years, however, there has been some growth in the number of privatized media organizations. In a report released in April 1998, it was stated that Uzbekistan has 471 newspapers and magazines currently being published and circulated, which includes dailies, weeklies, and monthlies. Three hundred twenty-eight of these are government papers with 66 national, 68 regional, and the rest either local or municipal; 109 are considered public or organizational representing trade unions, the military, or other associations; and the remaining 34 are commercial, religious-based, or other. This last group is financially independent from the state, making it the genesis of the private media in Uzbekistan. It is important to note that, while these are financially independent of the government, they still are subject to editorial constraints. True opposition papers — those that publicly challenge the state's policies or question Karimov's actions — ceased to exist in 1993. Any opposition paper that appears in Uzbekistan is technically illegal.

Independent radio and television stations are not as developed in Uzbekistan, largely because of the high operating costs. Outside of foreign stations such as Ostankino from Russia, there are independent television stations in Urgench, Samarkand, and Tashkent. Samarkand Independent Television prides itself on receiving no government support, existing exclusively on advertising revenues.

**4. Are the private media financially viable?** Underground papers such as *Erk*, are financed from abroad. *Mustaqil haftalik*, was also privately financed during its run in 1991-1993, and in its current status being published abroad. The private media based within the country receive some support from the government, international agencies, and advertising revenues. It is too early to tell how viable they will be, as most began operations in the last two years.

**5. Are the media editorially independent? Are the media's news gathering functions affected by interference from government or private owners?** Censorship of all media continues. More importantly, over the past several years, journalists working for Uzbek publications — even privately financed ones — exercise self-censorship and simply do not publish controversial articles or commentaries. The same holds true for photojournalists who are strongly discouraged from publishing pictures of poverty or crime scenes — unless it is outside of Uzbekistan. Much like their activities during the Soviet period, Uzbek journalists focus on positive issues at home such as presidential visits, developments in the marketplace, and full accounts of decrees or laws passed. International news can, and often does, accentuate problems abroad.

**6. Is the distribution system for newspapers privately or governmentally controlled?** The newspaper distribution system remains under government control. There are several minor independent papers, particularly in Tashkent, which have a limited circulation and are available at some kiosks. These tend to be business-oriented papers. There are also occasional appearances of illegal papers published by opposition groups in exile, usually in Moscow or Istanbul, that find their way into Uzbekistan.

**7. What proportion of the population is connected to the Internet? Are there any restrictions on Internet access to private citizens?** Given the low level of computer usage in Uzbekistan, as well as the practical issue of poor communication lines, the majority of Uzbek citizens at present do not have access to the Internet. Those with access almost always live in Tashkent. It is important to note that this is largely due to physical and technical problems as the government has not placed specific restrictions on Internet usage. This has been confirmed by Western computer and software companies which have assessed the market potential of Uzbekistan for their products.

**8. What has been the trend in press freedom as measured by Freedom House's Survey of Press Freedom?** The media in Uzbekistan are consistently listed as "Not free." And while there have been laws which allow for a free press, in practice pressures and limitations prevent this from actually happening.

**Governance and Public Administration 6.00/7**

**1. Is the legislature the effective rule-making institution?** The Uzbek constitution outlines the powers of the Oliy Majlis, calling it the political authority of the country (Chapter 17). It is charged with initiating and passing legislation, as well as executing policies through committee work. It meets on a regular basis — two times a year plus any special sessions — and has both public and close sessions. At the same time, similar authority is given to the president, putting into question the actual powers of the legislature. In addition, the legislature spends most of its two sessions per year discussing and passing presidential proposals and decrees, suggesting that it is not the rule-making body of Uzbekistan. In 1996, President Karimov himself exhorted legislators to act more assertively and to not be a rubber-stamp body, lacking all political initiative.

**2. Is substantial power decentralized to subnational levels of government? What specific authority do subnational levels have?** Uzbekistan has a centralized political system of government, with ultimate authority resting at the national level. Within this system, there are twelve wilayats (regions), one autonomous region, and one city government (Tashkent). The president has the power to appoint and dismiss regional *hokims* (executive officials). All policies made at the local level must comply with national laws. This holds true for the Autonomous Republic of Karakalpakstan. Local budgetary payments must also be submitted for approval to the national level. In 1997 alone, over half of the regional hokims were dismissed for a variety of reasons, usually due to poor harvests figures from their respective wilayats.

There is also a local level of government called the mahalla, roughly translated as neighborhood. These regional organizations are often selected from among the more senior, traditional leaders (village elders, or *aqsaqals* [white beards]). In the past several years, President Karimov has put greater emphasis on this level of government to address the issues of immediate social need. Public opinion polls also suggest that the mahalla is fast becoming an important organ of government, ranking it second behind the presidency as the most influential and respected level of government for the citizens of Uzbekistan.

**3. Are subnational officials chosen in free and fair elections?** Regional hokims are appointed and dismissed by the president. Regional councils are selected through local elections with nominal opposition. As with the national level elections, these are not considered to be free and fair. It is interesting to note that party affiliation is not seen as a factor at this level.

**4. Do the executive and legislative bodies operate openly and with transparency? Is draft legislation easily accessible to the media and the public?** While resolutions, draft laws, and presidential decrees are readily published and announced in the media, the actual political process by which they are developed is very much a closed one. Equally important is the fact that when government decisions are made, explanations are usually not forthcoming.

**5. Do municipal governments have sufficient revenues to carry out their duties? Do municipal governments have control of their own local budgets? Do they raise revenues autonomously or from the central state budget?** Local governments receive most of their support from

the central budget, although certain cities and regions such as Tashkent and Samarkand do have local taxes on businesses that support local government activities. Data on such revenues, however, is unavailable. In general, municipal governments must comply with the national budget plans and, it seems, do not always receive sufficient amounts from the center. This is largely based on the fact that wilayat, raion, and city officials are often criticized — and sometimes removed from office — by the president or one of his subordinates for not keeping up with basic services such as salary payments or equipment and road upkeep.

**6. Do the elected local leaders and local civil servants know how to manage municipal government effectively?** Even after seven years of independence, the Soviet experience is alive and well among local officials. The practice of simply following orders and not acting until decrees from above are announced seems to hold true for a number of local leaders and civil servants. Anecdotal evidence of innovative hokims or municipal leaders suggests that this is changing, and that there are individuals willing to initiate reform. In addition, since 1995, President Karimov has spoken on the issue of local-level reform and the need for new personnel. To this end, he has replaced a majority of the wilayat and raion hokims, often filling the posts with individuals who have backgrounds in finance or public administration. That said, continued complaints about local leaders operating in a corrupt or inefficient manner, especially during harvest season, for the rural regions, only underscores the belief that problems remain.

**7. When did the constitutional/legislative changes on local power come into effect? Has there been a reform of the civil service code/system? Are local civil servants employees of the local or central government?** The December 1992 constitution outlines the role of local government, as does the 1994 Law on Elections to Wilayat, Regional, and City Councils of Peoples Deputies. As the system is a unitary one, ultimately all such employees work for the central government. More importantly, as noted above, the practice remains of local officials waiting for presidential decrees or actions to take place before they decide how to act.

## Rule of Law

6.50/7

**1. Is there a post-Communist constitution? How does the judicial system interpret and enforce the constitution? Are there specific examples of judicial enforcement of the constitution in the last year?** The Oliy Majlis approved President Karimov's constitution on December 8, 1992. The document is lengthy and lists a variety of citizens rights and responsibilities, as well as government obligations. Like its Soviet-era predecessor, however, the Uzbek constitution is vague in delineating political power. For example, while the Oliy Majlis is considered the highest body of government, the president is allowed to veto legislation, propose referenda, and dissolve the legislature. Foreign consultants, most notably the American Bar Association's Central and East European Law Initiative project, have raised questions regarding the ambiguous nature of the constitution that have yet to be fully addressed by the government.

At present, it is too early to track how the judicial system would interpret the constitution, as no landmark cases relating to political powers or constitutional oversight have emerged. In the next year, though, there could be several instances where the constitution may need clarification. First,

President Karimov has publicly stated the need to enforce the strict separation of church and state in Uzbekistan, directing his concern at wahabbi groups in the Ferghana Valley. In an effort to become legal participants in the next round of elections, such groups may challenge the presidential decrees on the basis of freedom of religion and freedom of association. The second potential challenge could come from opposition groups who will challenge Karimov's possible election bids in 2000 and 2005, citing that his next term should be his second, and last, as mandated by the constitution. A third challenge, also related to the electoral cycle, related to the law that prohibits individuals with criminal records from running for office. A number of opposition figures, including Shukhrullo Mirsaidov, the former vice-president, have been convicted of various anti-state crimes in the past. Although all were amnestied, their criminal records remain, technically disallowing their possible candidacies. Whether these challenges will take place remain to be seen, however any one of these could begin the process of real constitutional interpretation.

**2. Does the constitutional framework provide for human rights? Do the human rights include business and property rights?** The constitution lists a wide range of rights (Chapters 7-10), which include the rights to assembly, free speech, due process, ownership of property, and gender and racial equality. While an inalienable quality is suggested, limitations are likewise noted. Specifically, Chapter 11 notes that if these rights infringe upon the rights of society, the state, or other citizens, they can be curtailed. Indeed, enforcement of such limits has already been seen in the government's campaign against opposition parties and religious organizations noted above.

The right to own property is listed in Chapter 9 of the constitution and Chapter 12 provides for freedom to engage in business. Legislation has progressed on these fronts, especially since 1996. In that year, new laws of private property ownership, setting up businesses, and taxation of business were introduced. Economic rights, as outlined in the constitution, have been of particular importance as the government continues to entice foreign investment in Uzbekistan.

**3. Has there been basic reform of the criminal code/criminal law? Who authorizes searches and issues warrants? Are suspects and prisoners beaten or abused? Are there excessive delays in the criminal justice system?** The current criminal code of Uzbekistan, introduced in 1995, includes capital punishment for the most serious offenses. In an effort to promote law and order, the government has vigorously and publicly enforced these laws. For instance, trials and the carrying out of death sentences for drug traffickers and criminal gang members are regularly noted.

At the same time, President Karimov has tried to present himself as a merciful leader, issuing amnesties to prisoners on a periodic basis. For instance, prior to his June 1996 visit to the United States, he released over 80 prisoners, including two political prisoners.

Search warrants are authorized and issued by local (mahalla and district) militia, and as yet there have been no successful challenges to the legality of such warrants.

Reports continue to appear of prisoners being beaten and abused while in custody. Whether these are anecdotal accounts, or official reports from the U.S. Department of State, Human Rights Watch, or Amnesty International, it is clear that this remains a chronic problem in Uzbekistan. Indeed, a Western official from Human Rights Watch experienced such abuse first-hand in 1996 when he was illegally detained in a local police headquarters. Worse examples can be seen with the treat-

ment of political prisoners, such as the "Namangan 11," who were tried in 1996, and who reported instances of repeated abuse in prison and coerced confessions.

**4. Do most judges rule fairly and impartially? Do many remain from the Communist era?** To date, fairness and impartiality remain difficult to gauge in Uzbekistan. The judiciary is a passive structure, taking its cue from the president. In light of the numerous cases against dissidents and religious leaders, at least in public cases, fairness and impartiality are most likely compromised. Anecdotal evidence of bribe demands on defendants, especially during sentencing, furthers this claim. While there is no official data, it is likely that most judges in Uzbekistan today were active during the Soviet era. The policy of dismissing Communist-era judges, as seen, for example in states like the Czech Republic, was not carried out in Uzbekistan.

**5. Are the courts free of political control and influence? Are the courts linked directly to the Ministry of Justice or any other executive body?** While its independence is outlined in the constitution, the judicial system is subservient to the other branches of government, particularly the executive branch. The president has the power to appoint and dismiss judges, dictate the composition of the Supreme Court, the Constitutional Court, and the Higher Arbitration Court, and control the legislation that these courts are to uphold. To date, the courts have not challenged the president's authority, and have never ruled in favor of defendants charged with anti-state crimes. Technically, the courts are not linked to the ministry of Justice; however, as the ministry is part of the presidential apparatus, such a connection is likely.

**6. What proportion of lawyers is in private practice? How does this compare with the previous year?** While it is permissible to have a private practice, the overwhelming majority of lawyers work for the state. Unfortunately, such data is not available to accurately assess the level of private practice in Uzbekistan.

**7. Does the state provide public defenders?** Yes. According to Article 117 of the constitution, all defendants are entitled to legal assistance.

**8. Are there effective anti-bias/discrimination laws, including protection of ethnic minority rights?** In the constitution, the Uzbek legal code, and presidential decrees, the issue of discrimination is addressed. In each instance, government stresses the need to protect minority groups and to create a system of recourse for their complaints. For example, in February 1995, President Karimov appointed a Human Rights Commissioner who is charged with enforcing such legislation. Over the past several years, there have also been efforts to actively support non-Uzbek language media and educational programs. Such efforts are important, given that nearly 25 percent of Uzbekistan's population is non-Uzbek, with the majority of these being Russian and Tajik. The Russian population is of particular concern, as their treatment directly affects Uzbek-Russian relations. To this end, the Uzbek government has permitted the establishment of Russian cultural centers in Tashkent, Ferghana, and Samarkand (cities with large Russian communities). In addition, the language law which was to have Uzbek as the sole language of official communication by 1998 has been modi-

fied. No date has been set for this policy to be enacted. At the same time, it must be noted that there have been instances of discrimination and forms of intimidation directed against ethnic minorities. Russians complain of Uzbeks unfairly treating them in social, business, and market settings, while Tajiks claim that their needs are not being met by the Uzbek state. In neither case, have public organizations that promote minority rights been allowed to register and legally participate in the political process.

## Corruption

C/D

**1. What is the magnitude of official corruption in the civil service? Must an average citizen pay a bribe to a bureaucrat in order to receive a service? What services are subject to bribe requests for example, university entrance, hospital admission, telephone installation, obtaining a license to operate a business, applying for a passport or other official documents? What is the average salary of civil servants at various levels?** Very little research has been done on the topic of corruption in Uzbekistan, thus, most of the discussion on this topic unfortunately must remain anecdotal and impressionistic. While only two percent of respondents in a public opinion poll conducted in 1996 stated that official corruption was a source of concern, the level of corruption a citizen encounters at the local level is high. Views toward civil servants are not positive and one generally expects to pay some sort of bribe to expedite service. This is particularly true for licenses and permits ranging from kiosk owners to restaurateurs. Not only are university admissions effected by bribe demands, but also final grades and evaluations (at all levels). Unique to Uzbekistan is the need to bribe university officials in order to have a student exempt from the fall cotton harvest, a tradition that goes back to the Soviet era.

**2. Do top policy-makers (the president, ministers, vice-ministers, top court justices, and heads of agencies and commissions) have direct ties to businesses? How strong are such connections and what kind of businesses are these?** This appears to be less of a problem in Uzbekistan than in other countries, although links are definitely present. For example, President Karimov himself has ties to the largest cotton trading company in Uzbekistan. Of course, given strict government control over the key industries in the country, there is no need to hide such connections.

**3. Do laws requiring financial disclosure and disallowing conflict of interest exist? Have publicized anticorruption cases been pursued? To what conclusion?** The most interesting anticorruption case to date was the 1994 prosecution of former Vice President Shukhrullo Mirsaidov. In an effort to further reduce his political influence, Mirsaidov was charged with embezzlement and misuse of state funds. After a short trial, he was found guilty and required to pay a fine in excess of \$1 million. Although he is challenging the verdict, Mirsaidov remains the highest ranking official to be convicted of this crime. Local hokims and officials have also been periodic targets of anti-corruption campaigns, but most are simply dismissed for mismanagement and poor leadership. There may still exist a residual reluctance to initiate a mass anti-corruption campaign in light of the country's experience with the Soviet-era Cotton Scandal, in which hundreds of Uzbek officials were charged with fraud and embezzlement.

**4. What major anticorruption initiatives have been implemented? How often are anticorruption laws and decrees adopted?** The constitution and legislation originating from the Oliy Majlis outline penalties for corrupt practices; however, the enforcement of such policies is seen as weak to non-existent.

**5. How do major corruption-ranking organizations like Transparency International rate this country?** Uzbekistan has not been rated by major corruption-ranking organizations.

## Privatization

6.25/7

**1. What percentage of the GDP comes from private ownership? What percentage of the labor force is employed in the private sector? How large is the informal sector of the economy?** The European Bank for Reconstruction and Development estimated that 45 percent of the economy was in private hands by mid-1997, although some estimates dispute that figure, claiming it is no more than 20-25 percent of GDP. These disputes arise from the nonstandard accounting and statistical practices by the government. Labor force statistics are likewise difficult to ascertain, but estimates range from 25-30 percent of the labor force is employed in the private sector. The higher numbers are attributed to the fact that the labor-intensive agricultural sector is considered largely privatized. There are no valid estimates of the informal sector of the economy, although the government repeatedly complains about a lack of tax collection and true accounting of the economy. In addition, given the discrepancy between the official and unofficial currency exchange rates, one can assume that a reasonable volume of informal trade is taking place. For instance, one survey noted that Uzbekistan has a very high level of activity in the black market, particularly in portable products like cigarettes and computer software.

**2. What major privatization legislation has been past? What were its substantive features?** The Uzbek government addressed privatization in 1991 Law on Denationalization and Privatization, although no serious effort to implement it took place for several years. In early 1993, 35,000 small-sale enterprises were privatized, followed by the privatization of 15,000 medium-scale enterprises in 1994-1995. In the latter group, the state retained up to a 26 percent stake in each venture, with the collective keeping 25 percent, and the remaining 49 percent being sold off to individuals for cash or as part of the Privatization Investment Funds (PIF). The government issued a more comprehensive set of decrees in 1995 and 1996 to work out discrepancies in the privatization program. Specifically, these decrees addressed land ownership and transfers, taxation of private property, and foreign ownership of private property. Compared to other newly independent states, the government has been deliberately slow in proceeding with privatization legislation, arguing that such step-by-step measures will ensure an orderly development of the economy. Citing the problems of rapid privatization in other CIS states, in particular, Russia, President Karimov was stated that he does not want to go through the same issues of hyperinflation, increased role of criminal associations in the private sector, and the uncertainty of not being able to maintain control of the process. In addition, the government has not changed its position that heavy industry, energy, and major export commodities (especially cotton) remain under state control.

In October 1997, the cabinet established a Republican Commission, chaired by Prime Minister Utkir Sultanov, to study economic reform measures. The commission outlined a proposal that, if implemented, will transfer agricultural production to the private sector. This policy will not apply to cotton and grain export crops, which will remain state-controlled. Nevertheless, this could mean the end of the standard policy of leasing land to farmers. The immediate goal will be to establish a mechanism for examining the legal, economic, and social ramifications of this policy. Specific ministries will be in charge of these issues and will present their findings at a later date.

### **3. What proportion of agriculture, housing and land, industry, and small business and services is in private hands?**

*Agriculture:* Given that nearly half of all the country's population lives in rural areas, agricultural privatization has been a delicate undertaking. At present, the agricultural sector has been "officially privatized," although the actual situation has changed less than expected. In essence, the collective farm system of the Soviet era is largely intact, with families, or groups of families, taking over the farms after "privatizing" them. Indeed, one option has been to have families jointly own large tracts of land (paralleling the collective farms), thus avoiding the difficult problem of dividing the land into private farms. The fact that agriculture is the largest sector – 28.5 percent of GNP and 41 percent of the labor force – is one of the reasons given for a slower policy of privatization. Not much has changed in the past year with respect to the privatization of agriculture. Because most agricultural enterprises are collective farms, these were technically privatized when they were turned over to the families that ran them. Payments to the state and guidelines for products remain, though, suggesting that the farms are not completely private. That said, the privatization of the agricultural sector is a politically sensitive issue, given the fact that over half of Uzbekistan's population, and over 40 percent of the labor force, are in this sector.

*Housing and Land:* As early as September 1992, individuals were given the option of purchasing their apartments for an average cost of three months salary. Homeowners went through a similar process in March 1994. In addition, the government made it possible for individuals to build private residences. By all accounts, this procedure went along fairly well and, at present, a system is in place for citizens to own their own dwelling. In addition, a 1996 decree permitted foreigners to purchase property. In all, this should stimulate the construction sector as new homes, particularly in the suburbs of Tashkent, are being built. To date, the problem of property transfer has not been addressed. Technically, one does not have the right to bequeath property, although anecdotal evidence suggests that it is already being done.

*Industry:* Privatization has been less successful in the industrial sector, mainly because (as noted above) this sector contains much of what is considered strategic, including heavy industry, energy, and the export production sector. These businesses still rely on quotas from the government and bonuses for plant performance, much like the pre-1991 period.

*Business and service:* This has been the area with the greatest privatization over the last two years. Beginning in January 1994, and continuing through the present, business and service sector firms have been up for purchase at public auctions. While many of these have been purchased by the former Communist elite, there are instances of entrepreneurs acquiring small-scale businesses. It is estimated that two-thirds of this sector is privatized – an estimated 47,000 of the 68,000 enter-

prises listed in the country.

**4. What has been the extent of insider (management, labor, nomenklatura) participation in the privatization process? What explicit and implicit preferences have been awarded to insiders?** As with other states of the former Soviet Union, Uzbekistan has had instances of former managers of businesses and firms buying out companies outright, or at least gaining a majority share. The nomenklatura, in general, has had an unfair advantage since they controlled the privatization auctions and had knowledge of what was to be auctioned. Complete statistics on such activity are unavailable, and most of what is known is anecdotal.

**5. How much public awareness of and support for privatization has there been? What is the nature of support and opposition to privatization by major interest groups?** In general, public knowledge of the government's privatization program is sketchy. While decrees are published in the daily newspapers, in particular, in *Halq so'zi*, the official paper, opinion polls suggest that there is only a passing awareness of the program among the general public. Support, however, seems to be high, as it is unlikely that the general population would question any of Karimov's policies. On November 1, 1997, two agricultural specialists called the recent discussion to privatize more of the agricultural sector unwise, stressing that Uzbekistan is not only unprepared for private ownership of land, but that the whole concept is anathema to the country and is simply bad economics. Professor R. Karimov, who is a member of the Commission for Deepening Economic Reforms in Agriculture, and E. Trushin of the statistics Ministry argued that privatization will only hinder rational land-use, avoid questions of ecology, and does not, in the end, guarantee optimal use of the land. They suggested that, instead, land should be leased on a long-term, even hereditary, basis and include protective measures for the farmers. In this manner, the state would be assured of certain returns from the land and farmers would be given a stable environment within which to work. This is the first time that a serious discussion of government policy is taking place in a public forum. The fact that opposing views are being expressed in the national press is an indication of how serious this next step in economic reform is for the government.

## Macroeconomics 6.25/7

**1. Has the taxation system been reformed? (What areas have and have not been overhauled? To what degree are taxpayers complying? Is tax compliance difficult to achieve? Has the level of revenues increased? Is the revenue-collection body overburdened? What is the overall tax burden?)** The tax system in Uzbekistan is still unreformed and revenue collection is reported to be woefully behind. Tax rates in Uzbekistan include a 20 percent capital gains tax, a 17 percent value-added tax (VAT), and a 40 percent payroll tax. Income and corporate taxes are both on sliding scales, with the highest being 45 percent and 37 percent, respectively. The highest individual rate applies to those whose incomes exceed the minimum wage (750 *soms*, or \$9.40) by a factor of 15. These new rates were established in the tax code adopted by the Oliy Majlis in April 1997 and implemented on January 1, 1998. The government hopes that this new code will rectify the current problems in tax compliance.

**2. Does fiscal policy encourage private savings, investment and earnings? (Has there been any reform/alteration of revenue and budget policies? How large are budget deficits and overall debt? Is the financing of the social insurance/pension system sustainable? What proportion of the budget is taken up by subsidies to firms and individuals?)** At present, the Uzbek government is trying to maintain a fiscal deficit at, or under, 3.5 percent as required by international financial institutions. The 1998 predicted deficit is 3.1 percent, or 38.2 billion som, with revenues projected at 399.5 billion som and expenditures at 437.7 billion som. Finally, Uzbekistan still maintains a system of subsidizing consumer goods and welfare measures, particularly for the poor. It is estimated that nearly 50 percent of budget expenditures go to support these measures, although some experts note that this percentage is declining as government investment measures are increasing.

**3. Has there been banking reform? (Is the central bank independent? What are its responsibilities? Is it effective in setting and/or implementing monetary policy? What is the actual state of the private banking sector? Does it conform to international standards? Are depositors protected?)** Uzbekistan's banking system suffered a severe shock following the collapse of the Soviet Union. It drafted a banking law and established its central bank in 1992. At present, Uzbekistan's banking sector is still in the process of establishing itself as a credible and active entity in the country. Perhaps because of government concerns that the system is too fragile, heavy restrictions are currently in place for just about every aspect of bank activity. This was particularly evident following the dramatic devaluation of the Uzbek som in the fall of 1996 when the government decreed that only two banks could work with hard currencies and additional restrictions were put in place for citizen access to bank accounts. Not surprisingly, this had an adverse effect on international banking in Uzbekistan. One particularly onerous restriction has been the insistence by the central bank that virtually all inter-enterprise transactions be conducted through interbank transfers rather than by cash. Since interbank transfers take up to several months to clear, this has caused severe difficulties for businesses. As a means of coping with these political restrictions, a parallel pricing system has emerged, where cash prices are as little as one-third that of interbank transfer prices. Because the banks are state-run, any reforms or loosening up of regulations will have to come directly from the government. At present, there is a two-tiered banking system, with the Central Bank of Uzbekistan (CBU) and the National Bank for Foreign Economic Activity on one level, and about 30 commercial banks on the second. The first two banks are permitted to purchase and sell hard currencies, while the others are restricted to som activity only. In addition, the CBU is responsible for issuing currency, setting interest rates, and regulating the use of foreign currency in Uzbekistan. These central banks are responsible to the Cabinet of Ministers and ultimately, the presidential apparatus. If banking regulations are loosened, one can expect to see an increase in the number of banks: this is largely due to the fact that the Law on Banks and Banking allows for a bank to be established with as little as six million som in reserve. A decree issued in April 1997 on private banks should allow this to happen. In principle, depositors are protected in Uzbek banks, although it is too early to tell how effective such protection really is.

**4. How sound is the national currency? (Is the value of the currency fixed or does it float?)**

**How convertible is the currency? How large are the hard currency reserves? Has exchange rate policy been stable and predictable?)** As noted above, a major problem in the Uzbek economy remains the currency, the som. Officially introduced in June 1994 (with a coupon version introduced in November 1993), the Uzbek som remained somewhat stable until the fall of 1996. At that time, the Uzbek government initiated a program to make the som a convertible currency, but within months, found the value of the som dropping precipitously. The value, which stood at 38som/\$1 in the summer of 1996 fell to 55som/\$1 at years' end. By the end of 1997, the rate had further dropped to 80som/\$1. Making this more problematic was the fact that the unofficial (black market) rate dropped even further. For a short while in 1996, the official and unofficial rates were so close that the black market in som trading was tailing off. However, by the end of 1996, the black market rate was 120som/\$1 and by the end of 1997, it stood at almost 200som/\$1. In October 1996, the government re-established strict controls on access to hard currency. This decision led the International Monetary Fund to suspend its Stand-By Arrangement financing for Uzbekistan. To obtain hard currency, one needs to apply for a license, and even then a conversion can take a month or more. Moreover, companies earning hard currency are required to exchange 30 percent of their revenues in hard currency for som (at the official rate). The devaluation of the Uzbek som, as well as strict regulations on hard currency access has adversely effected private savings, investment, and earnings. In addition, the high inflation rates of the past (1,100 percent in 1994, 425 percent in 1995, and 105 percent in 1996) have not helped. That said, the 1997 inflation rate dropped to 27 percent and the 1998 goal is 22 percent. If these lower figures can be maintained, one can expect to see increased confidence in the economic system. The total amount of individual savings was also adversely effected by the November 1993 conversion from the ruble to the som-coupon, and the subsequent June 1994 conversion to the official som. In both instances, the government set limits on how much money one could transfer. Reports of people losing 80 to 90 percent of their savings were common.

**5. Is there a functioning capital market infrastructure? (Are there existing or planned commodities, bond and stock markets? What are the mechanisms for investing and lending? What government bodies have authority to regulate capital markets?)** The capital market in Uzbekistan remains weak, although the government does see this as an area of reform, so the possibility exists of future action. The Central Asian Stock Exchange was established on March 15, 1994, with Karimov's decree on economic communities. This decree allows for the circulation of corporate, employee, and joint-stock company shares, government bonds (both national and local), corporate bonds, and promissory notes (state, commercial, common, and transferable). Securities have to register with the Ministry of Finance before they can be part of the stock exchange. The daily volume of trade remains under \$1 billion, thus it is still small enough to not be considered influential at this time. With the inflow of foreign capital, the government hopes to see the volume increase steadily in 1998.

**Microeconomics 6.25/7**

**1. Are property rights guaranteed? (Are there both formal and de facto protections of private real estate and intellectual property? Is there a land registry with the authority and capability to ensure accurate recording of who owns what? What are the procedures for expropriation, including measures for compensation and challenge? Have any seizures taken place?)**

According to the constitution and the decree on private property, such rights are guaranteed. Housing and land ownership is registered at the ration-level and taxed accordingly. There are also Laws on Expropriation and Compensation, which have been tested in the old city section of Tashkent, where thousands of traditional Uzbek homes were destroyed and replaced with apartment blocks, for sanitary reasons. The issue of property rights has been absent from the legal system, although a citizens' group challenging the urban renewal program will also be a test for the court.

**2. To what extent have prices been liberalized? What subsidies remain?** Uzbekistan has been slow to liberalize prices, as compared to the other former Soviet states. President Karimov argues that a step-by-step approach is preferable, especially in light of the disastrous price liberalization of January 1992. At that time, Uzbekistan was still in the ruble zone and thus was forced to follow the Russian price liberalization. Since that time, prices on most products have been liberalized with government subsidies existing for basic commodities (bread, flour, tea, cotton seed oil, etc.).

**3. Is it possible to own and operate a business? (Has there been legislation regarding the formation, dissolution and transfer of businesses, and is the law respected? Do there exist overly cumbersome bureaucratic hurdles that effectively hinder the ability to own and dispose of a business? Are citizens given access to information on commercial law? Is that law applied fairly? Does regulation (or licensing requirements) impose significant costs on business and consumers? Do they create significant barriers to entry and seriously hamper competition?)** It is possible to own and operate a business in Uzbekistan, and laws exist that outline procedures for setting up such enterprises, e.g. the Laws on Entrepreneurship, on Enterprises, and on Foreign Economic Activity. Financial and bureaucratic obstacles exist and are often too difficult to individual entrepreneurs to legally overcome. Rumors of mafia protection rings also plague the business world, especially in the service sector. Citizens do have access to laws and rules on setting up businesses, with the major laws published in the news dailies. Obtaining information at the regional or city offices can be a problem, but again, such documents do exist.

**4. Are courts effective, transparent, efficient, and quick in reaching decisions on property and contract disputes? What alternative mechanisms for adjudicating disputes exist?** As noted earlier regarding the criminal and civil courts, it can be said that while the institutions exist, their ability to get things done is limited. Uzbek law is often clear on issues of property rights and contract obligations; however, the enforcement of such laws is suspect. Anecdotal evidence suggests that, at the local level, individuals are turning to the mahalla councils and leaders for advice and arbitration. In many ways, this follows upon a legal custom that predates the Soviet period.

There is no data on how many cases have been publicly brought up concerning these issues, nor of their resolution.

**5. Is business competition encouraged? (Are monopolistic practices limited in law and in practice? If so, how? Do what degree is insider dealing a hindrance to open competition? Are government procurement policies open and unbiased?)** As the state still directly controls the major industries, joint venture partnerships, and export firms such as that for cotton, Uzbekistan's most important crop, competition is not really a factor. Inside dealing is rumored to be very important, especially in landing lucrative joint venture capital. There is some competition, although prices tend to remain constant, among direct competitors. There is no information on government procurements policies and on the bidding process.

**6. To what extent has international trade been liberalized? To what degree has there been simplification/overhaul of customs and tariff procedures, and are these applied fairly? What informal trade barriers exist?** Foreign trade is encouraged, but obstacles exist that some companies claim are too difficult to address. Tariff barriers at 10-20 percent on average are moderate comparatively. The main barrier to trade is the restrictive rules on currency convertibility and controls on banking transactions. Export tariffs are significant, with duties ranging from 5 to 50 percent. The state retains monopoly status with respect to purchasing key goods for export abroad, such as cotton. In 1997, exports amounted to \$4.6085 billion and imports stood at \$4.5418, leaving a trade surplus of \$66.7 million. Trade with CIS countries was \$1.2094 and \$1.2751 respectively (about 30 percent of the total trade), signifying that activity with the non-CIS states now takes up a sizeable part of Uzbekistan's trade. Since 1994, trade with these states has increased by more than three-fold. The primary trade product remains cotton, at 30 percent of total exports. Energy makes up a modest 12 percent. Imports are largely machinery and equipment (43 percent). To enhance foreign trade, President Karimov supported the new Customs Code, which was enacted on March 1, 1998. Although it is too early to tell how effective this code will be, on paper it is significant: it lists VAT, duties, licensing fees, costs for storage and transport, and regulations on what companies can export to other CIS states. In short, the government has every intention of spurring the current growth in trade to even higher numbers. How these new regulations will be applied remains to be seen and companies still complain of bribe requirements, especially in working with subcontractors.

**7. To what extent has foreign investment and capital flow been encouraged or constrained?** Since 1995, this has been a major political issue for President Karimov. Largely in the form of joint-venture (JV) enterprises, foreign investment has been fairly active in Uzbekistan. Significant reform measures were enacted in 1996 that included allowing foreign companies or individuals to own property, take advantage of tax holidays including a seven-year grace period for companies investing in the manufacturing industries, and have monopoly rights in certain sectors. A July 1996 decree on JV investment also eased the requirements on forming such ventures. Logistical and cost barriers still exist, including high tax rates on JV profits, thus dampening enthusiasm on the part of medium foreign companies to get involved. Poor transportation routes and an uncer-

tain regional market are also factors that can dissuade foreign investors. Large corporations such as Newmont Mining (US), Coca-Cola (US), Daewoo (South Korea), British-American Tobacco (UK), and Samsung (South Korea) have had fewer problems in setting up their ventures. Overall, the major investor countries include the United States, Germany, South Korea, the United Kingdom, Turkey, and China. Annual foreign investment reached \$150 million in 1996.

**8. Has there been reform of the energy sector? (To what degree has the energy sector been restructured? Is the energy sector more varied, and is it open to private competition? Is the country overly dependent on one or two other countries for energy [including whether exported fuels must pass through one or more countries to reach markets]?)** The energy sector remains under the control of the state. Uzbekistan has reserves of oil and gas and can become a regional exporter of the latter, once the transport infrastructure is developed more fully. Oil and gas production are managed by the state-owned Uzbekneftegas, which consists of 14 large and 250 smaller enterprises throughout the country. Natural gas production increased from 49 bcm to 51.2 bcm during the period 1996 to 1997, and experts note that this trend should continue. It is already among the world's top ten producers of natural gas. Oil production stands at 8.2 million metric tons (1997). The government considers energy to be a strategic resource and it is unlikely that the sector will be privatized or reformed anytime soon. As the sole proprietor of energy in the country, the government also continues to subsidize energy use, stating that it will do so at least until the year 2000. That the energy sector is state-run does not preclude the involvement of foreign companies. Indeed, Enron Gas has been instrumental in developing the various gas production facilities in the country, and Unocal and Delta have likewise assisted in expanding oil production. In addition, international companies from France, Germany, and Japan are also involved in developing refineries in Bukhara and Nawoi. It is the Uzbek government's position that such assistance is needed to ensure the proper exploitation of these resources.

The biggest single problem facing the energy sector is transportation. Although domestic use will continue to increase with population growth and industrial expansion, the need to export exists. As Uzbekistan is a doubly-landlocked country, pipelines must travel through at least two countries to get to reasonable markets. Recent discussions on whether Uzbek energy will pass through a Trans-Caspian pipeline that the United States supports, or through the energy grid of Russia that currently exists, is a topic of intense debate. The bottom line, though, is that Uzbekistan can at least maintain enough energy to satisfy domestic needs, which is a positive sign for the economy. Only 230 of the country's 800 gasoline refueling stations have been privatized. The inadequacy of the gas distribution system is evident in the fact that it is not uncommon for tanker trucks themselves to stop and serve as mobile refueling stations. Electricity is generated primarily from natural gas-powered thermal plants, though some is produced in coal and hydro-electric plants.