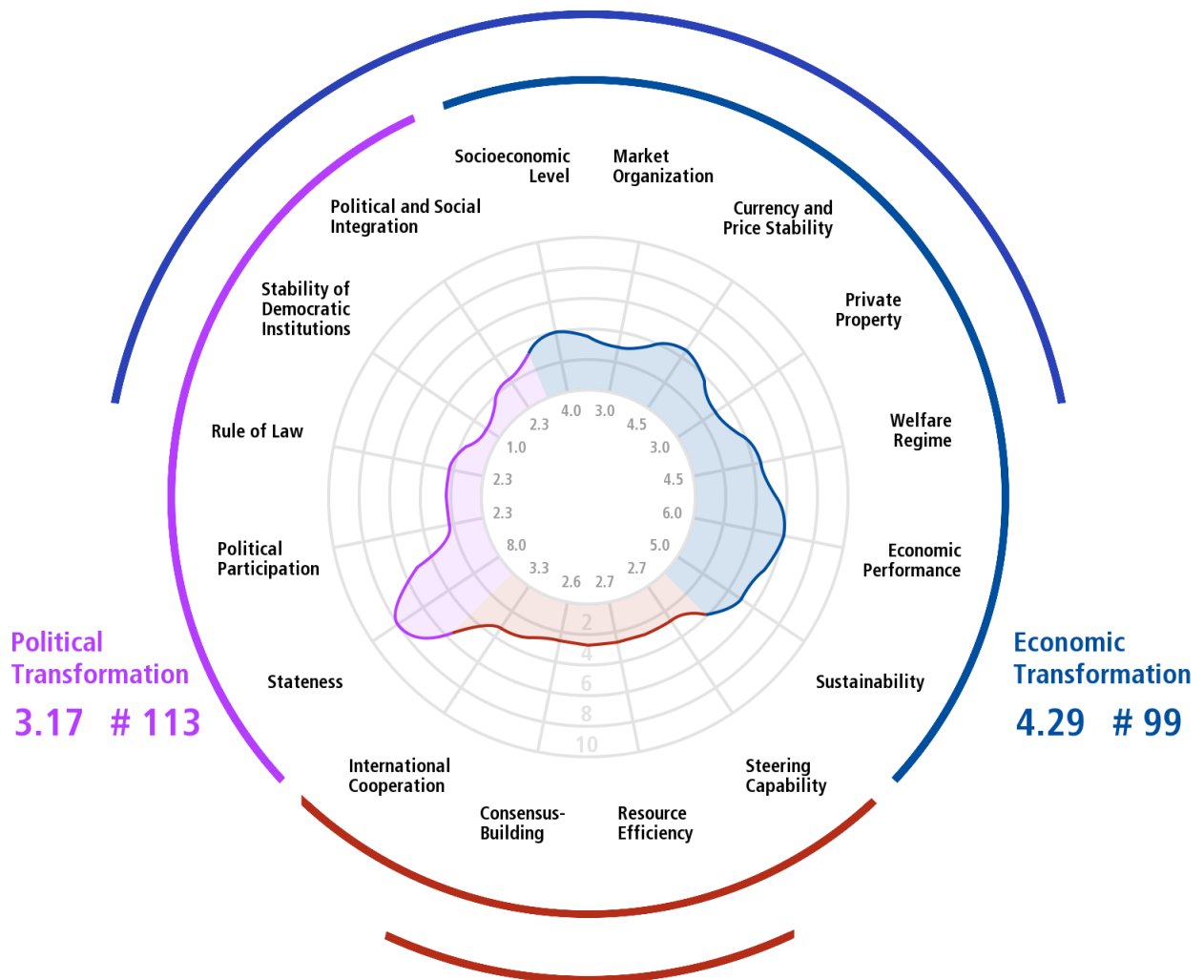


Uzbekistan

Status Index

3.73 # 108

on 1-10 scale out of 129



Political Transformation
3.17 # 113

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4.29 # 99

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2.55 # 117

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	31.8	HDI	0.701	GDP p.c., PPP \$	6514
Pop. growth ¹	% p.a.	1.7	HDI rank of 188	105	Gini Index	35.3
Life expectancy	years	71.1	UN Education Index	0.740	Poverty ³	% 88.7
Urban population	%	36.5	Gender inequality ²	0.287	Aid per capita \$	14.3

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The period from 2015 to 2017 in Uzbekistan was a period of persistent political and economic stagnation, interrupted by dramatic political change at the very end of it. On the one hand, the strong authoritarian political regime, biased ideological and propaganda machine, corrupt social relations, a culture of rudeness and rent-based economic system – all that can be described as “Soviet syndrome” – remain unchanged in most of its basic traits; on the other – tokens of political and economic advancement out of political stagnation appeared with the death of the first president of the country, Islam Karimov, in September 2016.

On September 8, 2016, Shavkat Mirziyoyev was appointed interim president of Uzbekistan by a joint session of both houses of parliament. Although Chairman of the Senate Nig’matilla Yo’ldoshev was constitutionally designated as Karimov’s successor, Yo’ldoshev himself proposed that Mirziyoyev take the post of interim president referring to his “many years of experience.” On December 4, 2016, presidential “elections” were held in Uzbekistan, which Shavkat Mirziyoyev won with a landslide (88.6% of the vote).

On December 4 – Presidential Election Day – Shavkat Mirziyoyev was elected president of the Republic of Uzbekistan. Mirziyoyev came to supreme power in the context of objective completion of the so-called transition period, which has lasted for a quarter of century and shaped the essence and dynamics of Karimov’s course. No references to a transition period will any longer excuse the slow pace of reforms and the country’s self-imposed isolationism from regional affairs.

For Mirziyoyev this situation is quite complicated, since he has to find a way between preservation of Karimov’s legacy and charting a new course. He initiated seemingly cardinal reforms and faces the challenge of reforming a state system containing relatively conservative people, who just woke up from a long political slumber. Whether he will dare to undertake perestroika in Uzbekistan or limit himself to only redecorating the existing system will depend on a number of domestic and

international factors, including geopolitics, on the one hand, and a political awakening of the nation, on the other.

Post-Karimov Uzbekistan is currently experiencing a new and more dynamic pace of reform – at least on the level of public announcements and presidential decrees. These range from restructuring the system of governance and the bureaucratic fabric of the state to reshaping public policy and spurring the locked-in political process in the country. For instance, for the first time a draft of a special and very comprehensive document was published for public discussion, namely the presidential decree, “On Action Strategy for Further Development of the Republic of Uzbekistan” for the period 2017-2021.

Mirziyoyev initiated a “reach out to the people” policy within the country and a “reach out to the neighbors” policy within the region. The five-month period from September 2016 until January 31, 2017, is too short to judge the seriousness and sustainability of this “new course.”

History and Characteristics of Transformation

Throughout independence period, since 1991 up to now, Uzbekistan authorities have utilized the following argument as a political guidance: “Liberal approaches to democratization and market reforms usually associated with the so-called shock therapy cannot be applied to the conditions of Uzbekistan.” Therefore, the state chooses the so-called model of gradual reform. From the beginning of independence, President Karimov adopted five key principles of reforms: 1) the total de-ideologization of the economy; 2) preserving the state’s role as the main reforming force in the transition period; 3) the primacy of law in all aspects of life; 4) sound social policy; 5) an evolutionary manner of transition to a market economy without “revolutionary changes,” “shock therapy,” or any deterioration in people’s living standards.

With regard to Uzbekistan’s foreign policy, he proclaimed six principles: 1) supremacy of national interests with due respect for mutual interests; 2) equality and mutual benefit, non-interference in the internal affairs of other states; 3) openness to cooperation irrespective of ideological outlooks, adherence to universal values, preservation of peace and security; 4) prioritizing the norms of international law over national ones; 5) development of external ties on the bases of both bilateral and multilateral agreements; 6) non-participation in political military blocks.

The 25-year-long post-Soviet transformation of Uzbekistan revealed a large gap between de jure democracy and de facto autocracy, which caused serious criticism on many occasions abroad and inside the country. Against this background, the Uzbekistan authorities proclaimed a new slogan in 1999: “From strong state to strong civil society.” However, this project has so far resulted in the exact opposite. Despite the seeming multiparty system in Uzbekistan (there are four political parties and one political movement), these have actually been artificial; none of them dares to proclaim itself a real opposition party and express criticism of the government; their electoral

platforms of simply replicate each other. Similar artifices are present in almost all public spheres: hence, the state remains omnipotent and civil society impotent.

Karimov's regime in Uzbekistan possessed two main features: it was highly autocratic and it was a continuation of the Soviet political system. Paradoxically, whereas Karimov constantly reiterated the irreversibility of independence, portraying the Soviet past as a murky totalitarian period and asserting that there should be no nostalgia for the Soviet Union, he did little to eradicate the customary Soviet style and tradition of governing the country.

The nation that Karimov ruled for more than a quarter century also remained predominantly Soviet with a deeply rooted paternalist mentality, wallowing in an ideological shallow. The cult of personality around the head of the nation, backed by the omnipotent state machine, has nurtured and assured the obedience and loyalty of Uzbekistan's citizens.

On December 4, 2016, three months after the death of Uzbekistan's first president, Islam Karimov, the country held new presidential elections. Prime Minister and acting Interim President Shavkat Mirziyoyev became the new president by defeating three puppet candidates in a highly asymmetric campaign characterized by the utilization of so-called administrative resources. Yet Mirziyoyev's campaign was also a demonstration of new domestic and foreign political trends in post-Karimov Uzbekistan, as the government flirted with more liberal reforms. The campaign also revealed rising, new expectations on the part of the Uzbekistan nation after a quarter-century of one-person rule.

The political process in post-Karimov Uzbekistan is quite controversial, changing but, at the same time, calm and stable. Optimists point to a new course reminiscent in some aspects of perestroika in the Soviet Union, with all its strengths and weaknesses. Realists, however, would rather wait and see.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

In principle, the state's monopoly on the use of force is established nationwide. But it has a clearly hybrid character: both state agencies and the oligarchic interest groups within them (led and held together by the supreme oligarch – the president) can misuse this monopoly. The main danger is the high levels of fragility, instability and conflict within these groups. State agencies responsible for the use of violence have massively discredited the idea of the state's monopoly on the use of force within Uzbekistan society and could easily destabilize that monopoly in critical situations in the future. Law enforcement agencies and so-called power ministries have been acting under the regime also as “classical” private economic enterprises, but with at least one crucial difference: they hold the monopoly on the use of force. These economic enterprises function as arms of an oligarchic regime that forcefully extract profits from the middle class and suppresses both free economic competition and political dissent.

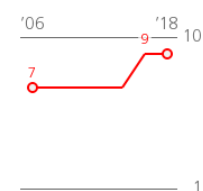
One of the specific features of Uzbekistan's monopoly on the use of force is that the state has always demonstrated its readiness to quell any protests and tendency toward social instability. Law enforcement agencies always stand ready to prevent possible disturbances and suspicious activities. This monopoly on the use of force, albeit normal and correct, often leads to the abuse of force by those who are authorized to use it.

Meanwhile, some tokens of softening this monopoly began to emerge in the wake of power transition after Karimov's death. President Mirziyoyev launched an administrative reform, which according to official announcements, would target law enforcement agencies. This reform could become as serious as it sounds only if the heads of ubiquitous National Security Service and the Ministry of Internal Affairs are dismissed by the president.

Question
Score

Monopoly on the
use of force

9



The large majority of the population of Uzbekistan accepts the nation-state as legitimate. According to the constitution all individuals enjoy the right to acquire citizenship without discrimination. Formal citizenship and state identity are one thing, and how citizens identify themselves with the state in daily life is another. On one hand, there is no discrimination on the base of nationality, gender, race, religion, language and so on regarding the provision of the of citizenship. On the other, state identity as a matter of allegiance to the state by the people is a more complicated issue.

Self-identification of some groups of citizens is a subtle issue, which differs to a certain degree from state identity. For instance, the Russian-speaking population of Uzbekistan can feel strong sympathies toward Russia; indeed, there is still emigration among Russians living in Uzbekistan to Russia. Even among Uzbek labor migrants, there were numerous cases applying for the Russian citizenship. Between 1992 and 2016 some 750,000 former Uzbekistan citizens successfully applied for Russian citizenship (The estimates are based on Russia's official statistics).

The country lives in independence and constructs new national and state identity for a quarter of century, however, kinship, local ties, sub-ethnic identities and regional allegiances, as well nepotism have been re-invented as informal economic survival strategies among Uzbekistan's population. These strategies under cover of "archaic" sub-identities could become a serious challenge to the national cohesiveness of Uzbekistan.

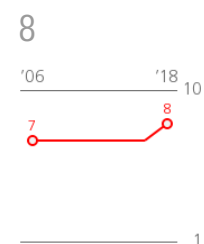
Meanwhile, as announced, President Mirziyoyev within one month gave Uzbekistan citizenship to about 200 people. He opened a virtual receiving room of the prime minister for collecting online regime complaints, suggestions and initiatives from citizens, which are said to be immediately considered. Such virtual reception rooms have also been opened by other ministries to address citizens' concerns. If implemented properly, such initiatives can have a positive effect in terms of strengthening authority and unifying the power of the state, as well as increasing the people's trust in it.

The state is secular. Religious dogmas have no influence on legal order or political institutions. All religious institutions and congregations in the country are strictly controlled by the state, which forbids the influence of religious dogmas and norms on not only state institutions, but even on the society, unless these dogmas and norms are sanctioned by the state.

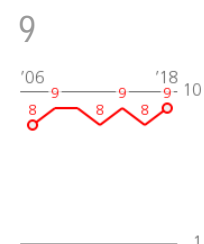
The regime has been employing dogmas of the main denomination (Hanafi Islam) for its own reasons, primarily to secure regime stability and secondarily for its nationalistic nation-building project.

At the same time, the regime and the president ensure that Islam and Muslim culture are duly respected. On October 1, 2014, the new Minor mosque, the biggest in

State identity



No interference of religious dogmas



Tashkent, the capital of Uzbekistan, was opened. The late president himself authorized and personally inspected it during the construction process. All such symbolic events related to religious policy of the state can be considered as a very specific form of “interference” of religion in state affairs – interference organized and controlled by the state itself as a means of adjusting its secular policy with Islamic identity of the majority of the population. In other words, religion has interfered by default after independence as recognition, including by symbolic means, of its revitalization.

On March 10, 2015, the first sheikh and first mufti of Muslims of independent Uzbekistan, Mukhammad Sodyk Mukhammad Yusuf, died. He was a remarkable religious authority, immensely popular with not only the Uzbekistan Muslims but also across Central Asia and abroad. His funeral ceremony drew dozens of thousands of Muslims from every province of the country. This event reflected a growing religious consciousness of the people and the great social and psychological potential of religion.

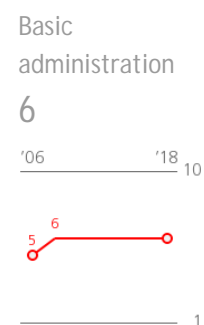
On September 2, 2016, President Karimov’s funeral took place in full accordance with Islamic doctrine. Within a month after President Karimov’s death, on October 7, one mosque was named after him (“Islom Ota” mosque). On October 18 and 19, under the chairmanship of Uzbekistan, a summit of ministers of Foreign Affairs of the Organization of Islamic Cooperation (OIC) was held in Tashkent which representatives of 50 countries attended.

Other faiths (Russian Orthodoxy, Judaism, Protestantism and Catholicism) exist in a tolerant atmosphere among the overwhelming Muslim population. All other religious groups and missionaries are banned and suppressed.

The administrative structures of the state provide most basic public services throughout the country, but their operation is to some extent deficient. State administration as such (as a set of bodies and institutions organized in a hierarchical way throughout the country) has the capacity to deliver services but rampant corruption, nepotism, mismanagement and unqualified bureaucrats, together with the lack of financial resources, often cause public frustration in many parts of the country.

In the period of 2015 to 2017, there were many occasions of periodic disruption of the electricity supply not only in provinces but also in the capital of Uzbekistan. On one hand, there is a construction boom in the country and reports of investments in the sphere of social development. But, on the other, Uzbekistan suffers from degradation of its road system, legal abuse and unnecessary force by law enforcement agencies, injustice in courts, a crisis in its education system and a growing distance between civil society and administrative bodies.

The new president, Mirziyoyev, officially recognized that state organs are essentially isolated from ordinary people and rarely aware of their needs and complaints. That is why he named 2017 “The Year of Dialog with People and Human Interests.”



2 | Political Participation

On de jure level the constitution and corresponding election legislation provide for universal and equal suffrage in free, fair and periodic elections conducted by secret ballot. However, the most recent OSCE election observation mission in December 2016 noted that “the legal framework is not conducive to holding democratic elections” in Uzbekistan and in fact elections have invariably been completely “staged.”

On September 8, 2016, Shavkat Mirziyoyev was appointed interim president of Uzbekistan by a joint session of both houses of parliament. Although Chairman of the Senate Nig'matilla Yo'ldoshev was constitutionally designated Karimov's successor, Yo'ldoshev himself proposed Mirziyoyev in light of his “many years of experience.” It was a clear violation of Article 96 of the constitution of Uzbekistan. According to this article, “In case of impossibility of performance by the incumbent president of the Republic of Uzbekistan of his duties, these duties and powers shall temporarily be assigned to the chairman of the Senate of Oliy Majlis [Supreme Assembly] of the Republic of Uzbekistan.” If Yo'ldoshev was unwilling to succeed Karimov as interim president, the parliament should have elected a new chairman of the Senate of Oliy Majlis and appoint that person as interim president, instead of just transferring supreme power to Prime Minister Mirziyoyev.

On December 4, 2016, presidential “elections” were held in Uzbekistan in which Prime Minister Shavkat Mirziyoyev won (88.6% of the vote). The overall election campaign was asymmetric in the sense that the three other (fake) candidates had almost no chance of winning because they were unpopular and even unknown political figures. By using what is called administrative resources, doing so quite effectively and demonstrating his professional skill, Mirziyoyev was guaranteed victory. That's why the result of “elections” was preordained.

Election legislation does not allow independent candidates to be nominated to parliament and the president's post; only parties can nominate their members. Election campaigns and TV debates among political parties revealed their ideological and political confusion and the absence of noteworthy differences among them.

Meanwhile, the OSCE for the first time sent a full – rather than a “limited” – observation mission to monitor and evaluate these “elections.” Their findings were entirely negative.

Political decision-makers are not elected but at all levels – locally, regionally and nationally – selected and appointed by the presidential apparatus responsible to the president, under cover of democratic elections. “Elected” bodies have no influence at all. The “invisible hand” of the omnipotent presidential apparatus and, of course, the president himself have had exceptional veto power to “stage” democratic procedures.

Free and fair elections

2

'06 '18 10



Effective power to govern

2

The president and his apparatus have retained unspoken and unwritten prerogatives that cannot be touched by “democratically” elected officeholders.

The new president proclaimed a somewhat new course expressed in the slogan, “The people do not have to serve state agencies but state agencies should serve the people.” He called on state officials and bureaucrats to leave their offices and reach out to citizens in order to listen their needs, complaints and demands and solve their problems. So far this is hardly more than an effort to put new wine into old bottles.

While interim president in September to December 2016, Mirziyoyev initiated a ‘virtual reception room’ to collect via internet people’s complaints and suggestions, which is currently gaining popularity as a mechanism for addressing individual social and economic problems. Additional ‘virtual reception rooms’ have been opened by different ministries and state agencies.

Association and assembly rights are formally guaranteed by the constitution. And formally there are four political parties, one ecological movement and, according to official data, more than 8,000 NGOs legally registered in Uzbekistan. However, there are no registered opposition parties and most strong and active NGOs are in fact government-organized NGOs (GONGOs), informally affiliated with the political regime. Other NGOs are either very small or weak or work in spheres that do not cause the government concern.

Unfortunately, the government does not use transparent and non-discriminatory criteria in evaluating requests for permits to associate and/or assemble. More often than not, groups are not able to operate free from unwarranted state intrusion or interference in their affairs. For example, the government adopted a rule in 2013 that NGOs receiving grants from international organizations or foundations must open a special bank account for those grants and a special commission must issue permission for the use of the grant. Such a measure was established as means to control NGO activities.

However, post-Karimov Uzbekistan is experiencing slight changes in terms of better protection of citizens’ rights and interests. For example, a non-governmental research and education institution, Bilim Karvoni [Knowledge Caravan] – the first and the only independent NGO in Uzbekistan that specializes in social and political sciences and teaching – had faced serious restrictions on its activity in 2014 to 2015. But in 2016, this institution was re-registered and re-commenced its work. Some very small, unregistered, independent human rights associations with extremely low-profile activities are now tolerated by the regime.

Freedom of expression and freedom of press are restricted in the country. Uzbekistan is one of 15 countries classified by Reporters without Borders as an enemy of the internet because the government blocks sites critical of the regime. There are lists of forbidden topics, words and visual materials for all types of media. International

'06 _____ '18 10



Association /
assembly rights
3

'06 _____ '18 10



Freedom of
expression
2

NGOs and media, with very few exceptions, are denied accreditation to operate in the country.

Although there is no special censorship agency in Uzbekistan, the functions of such a body are implemented by the presidential apparatus, which strictly controls all mass media, especially TV. Decades of oppression have also “internalized” censorship in local journalists to make them their own censors. Very modest tokens of independent media can be observed only in the internet, where some websites such as www.ahor.uz and www.kun.uz operate and publish measuredly critical materials.

The new president, when promising profound political and economic reforms during the election campaign and in his inauguration speech, touched upon the issue of freedom, including freedom of speech, only vaguely and in non-committal terms.

3 | Rule of Law

The constitution of Uzbekistan provides for separation of powers between legislative, executive and judicial, as well as between a strong presidency and a bicameral parliament called the Oliy Majlis with the power to approve the budget. However, in reality the structure of the political system of Uzbekistan looks like a pyramid with the president and his apparatus at the very top. The president’s apparatus has the informal status of a “fourth power,” which outweighs the three basic powers – the legislative, executive and judicial branches of government.

In parallel, there is a shadow power – the omnipotent National Security Service (NSS), which over time has turned into a source of cadres for key posts or a filter through which state cadres are recruited.

At the same time, having recognized that the local executive power structures, especially the provincial and city mayors (called hokimlar) execute almost unlimited power and dominate local elected councils, the new president announced that reforms in the political system should also introduce the election (instead of appointment by the president) of local hokims.

The judiciary in Uzbekistan is constitutionally differentiated and independent from the executive. In reality, it is highly corrupt and “enslaved” to the executive. This is the case both for the Court of Criminal Affairs (guided by the criminal code) and The Court of Civil Affairs (guided by the civil code). Additionally, the judiciary faces serious problems of professionalism.

Lawyers are, more often than not, reluctant to take politically sensitive cases and do not defend citizens when they have complaints against state structures’ or officials’ abuses of power.

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Separation of powers



Independent judiciary



There were a number of cases when lower ranking officeholders were arrested and prosecuted as “sacrificial lambs” for alleged corruption. However, this prosecution is neither systematic and impartial, nor does it reflect a resolute anti-corruption policy by the Uzbekistan government and law enforcement agencies.

In the provinces local governors – hokims – quite often openly and shamelessly abuse their authority to extract money and other resources from citizens and small and medium enterprises. Perhaps this was one reason the new president announced the introduction of a new system of direct elections of local hokims. However, the real aim of the new system will constitute the re-organization of the state corruption machinery from obvious forms to more clandestine ones that do not affect citizens directly.

Although guaranteed by the constitution, civil rights are heavily restricted and poorly observed by law enforcement agencies or the judiciary. Although there are not much reliable data on discrimination on the basis of gender, sexual orientation, or ethnicity, traditionally cases of such discrimination are not widespread in the sphere of public relations and political system. However, political rights are systematically denied.

There are some formal institutions whose mandate is to protect human rights, for instance, the Office of Ombudsmen on Human Rights and the Committee on Democratic Institutions, NGOs and Citizens’ Self-Governing Bodies in the parliament’s Legislative Chamber, as well as the National Center on Human Rights and one officially registered independent human rights NGO called Ezgulik. In reality, these institutions often fail to protect human and civil rights.

Against the backdrop of 2017 as “The Year of Dialog with People and Human Interests,” a “virtual receiving room” of the prime minister (www.pm.gov.uz) was opened and within a month about 200,000 messages were received from citizens. After the inauguration of President Mirziyoyev, this site was transformed to a virtual receiving room of the president which is quite illustrative and may be a promising novelty in the overall state system of protection of civil rights.

4 | Stability of Democratic Institutions

Uzbekistan is an authoritarian state with an anti-democratic establishment. Its democratic institutions have served until now as the façade of an autocracy. There are formal democratic institutions in Uzbekistan – the parliament, the electoral commission, central and local executive branches, the press, political parties, et cetera – that, according to the constitution, are supposed to provide for democratic choice. However, in actual fact they have been operating only within the frameworks established by the rigorous political regime and fulfill the agenda imposed upon them by the top leadership, primarily the president’s apparatus.

Prosecution of
office abuse

3

'06 '18 10



Civil rights

2

'06 '18 10



Performance of
democratic
institutions

1

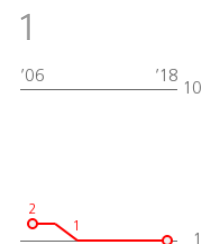
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Even so, all branches of power have potential for democratic reforms. For instance, the parliament adopts laws which are internationally evaluated as democratic; the Cabinet of Ministers and provincial executive branches, despite deeply rooted corruption, manage economic, social, cultural, military, tax and other spheres and deliver at least a minimum of required services. Peace and stability (of the regime) – the main obsession of the government – are preserved by utilization of the instruments of quasi-democratic institutions.

There are no democratic institutions as such (Uzbekistan’s is an authoritarian regime). Interestingly, on one hand, all quasi-(or pseudo-)democratic institutions in Uzbekistan are accepted by all relevant actors, but on the other the omnipotent authoritarian regime holds veto rights and can incapacitate those institutions should they dare to overstep the political boundaries outlined to them. The legitimacy of democratic institutions is not questioned as long as these institutions are believed to be building blocks of the so-called “Uzbek national model” of democracy. The official propaganda machine tries hard to persuade the broader public, especially youth, that this is just how Uzbekistan is proceeding toward democracy.

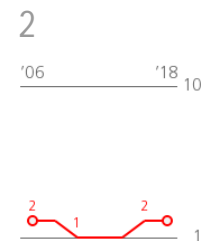
Commitment to democratic institutions



5 | Political and Social Integration

There is no party system to articulate and aggregate societal interest. The “party system” of Uzbekistan is stable but this stability is stipulated by its artificiality. The “party system” is not so much socially rooted, but rather politically affiliated with the regime.

Party system



“Parties” try to articulate, separately, the interests and needs of business, entrepreneurship and private ownership (the key focus of the Liberal Democratic Party, “UzLiDeP”); or the idea of national revitalization and strengthening national culture, traditions and values (the main focus of the Party of National Rebirth, “Milliy Tiklanish”); or the idea of social protection, equality, socially oriented market reforms and supporting workers (the platform of the People Democratic Party, “PDPU”); or the idea of social justice, supporting vulnerable groups of citizens (Social-Democratic Party, “Adolat”). So “parties” are given a special niche in the political system as if they were specialized state agencies, not political parties. In this capacity, “parties” play the specific role of recruiting cadres for the government, parliament and other state structures.

Although “party” leaders and activists always state that they have a stable electorate, in fact, citizens are not well aware of parties’ activities, leaders and ideologies. The last presidential elections on December 4, 2016, like the 2014 parliamentary elections, just proved the fiasco of the parties in terms of their professionalism, real competitiveness and political independence. None of them was capable to offer a real alternative program. On the contrary, they were mutually complementary.

Interest groups are present only in isolated social segments; they are on the whole poorly balanced and hardly cooperate. A large number of social interests remain unrepresented under the authoritarian and oppressive regime. Uzbekistan does not have a strong and liberal tradition of mediation by networks of cooperative associations or interest groups in society and the political system. Oligarchic capitalism and rent economy created in Uzbekistan predetermined prevalence of clientelism as the main mechanism within the political machine, and all significant domestic actors are clients and supporters of the president and related oligarchic groups.

Other interest groups are either dysfunctional (like the Association of International law) or, as in the case with political parties, fulfill the function of GONGOs displaying some activism in the representation of interests of certain segments of the society. For instance, such NGOs/GONGOs as the Mahalla (Neighborhood) Foundation, Sog'lom avlod (Healthy Generation) Foundation, the Al Bukhoriy Foundation, the Association of Business Women, the Kamolot Youth Movement, the Ecological Movement, the ECOSAN [Ecology and Sanitation] Center, the Association of the Disabled, the Federation of Trade Unions, the Association of Doctors, and so on, are supposed to mediate between specific social groups and the political system, by representing certain societal interests.

For this purpose, an association and a fund for support of non-governmental and non-commercial organizations of Uzbekistan were established in 2005. Reportedly, by December 2016 the association embraced more than 550 different NGOs and the fund provided about UZS 9 billion in financial resources (UZS 8.2 billion in 2014) for various NGO projects.

The negation of democratic norms, procedures and modern civic behavior are deeply rooted, not only within the political class, but also within patriarchal Uzbek society. Societal attitudes toward such non-mainstream groups as unmarried women with "illegal" children, the contemporary arts scene, LGBT people, those with alternative lifestyle and other stigmatized people are often highly discriminatory and violent.

In such an authoritarian country as Uzbekistan neither the shaping nor the study of public opinion represents an everyday attribute of the country's political life. Sporadic, single and narrow-scale public opinion polls do not fill the void. Very often people themselves show neither an understanding of the goals of polls and the meaning of questions nor a readiness to openly and frankly express their opinions. And very often, local authorities try to hinder the conducting of interviews.

Nevertheless, no alternative to the stated goal of democracy is accepted or discussed in society. Terms such as 'democracy,' 'democratic reforms,' 'democratic society,' 'democratic state,' and so on, like a mantra, are constantly pronounced in official speeches, newspaper articles and on TV news. The constitution of the Republic of Uzbekistan declares that Uzbekistan is a democratic state. Real knowledge about

Interest groups

2

'06 _____ '18 10



1

Approval of democracy

n/a

'06 _____ '18 10

n/a

1

what democracy entails remains scarce among ordinary people, and the overall picture quite distorted.

There is a fairly low level of trust among Uzbekistan's population. This is a result of authoritarian rule aiming to prevent the emergence of an independent civil society. The small number of autonomous, self-organized groups, associations and organizations is unevenly distributed or spontaneous and temporary. Given overregulation of public life by the authoritarian regime, the social capital of many potential and actual associations created for self-help remains latent and largely unrealized. Mutual trust and solidarity among the population are limited to very few social spaces and domains, for instance, to mahallas (neighborhood communities) and kinship networks. Family and community rites and ceremonies, and patron-client networks unite people to promote their private or group interests vis-à-vis regime-controlled resources.

The capacity to self-organize is distributed unevenly in society and depends on an individual's ethnic background, lifestyle (rural/urban), level of education and professional qualification. Ethnic minorities, for instance, are provided the right and opportunity to organize their national-cultural centers which can be considered operational in terms of promotion of cultural interests.

Meanwhile, the institutionalization of self-help and self-organization in the Uzbekistan context is mostly based on informal and narrow relations like "gap" – the grouping of friends (men and women separately) that plays the function of a network for socializing among former classmates, colleagues, neighbors or relatives.

In terms of broader social activism in voluntary cultural, environmental or social associations transcending traditional and narrow interests, it has to be mentioned that currently more than 8,000 NGOs are registered in Uzbekistan, the activity which is directed toward various social spheres including social partnership, well-being, the environment and so on. Their efficiency is limited to the local level.

Social capital

3

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II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality are pronounced and partly structurally ingrained (the ecological disaster of the Aral Sea in Karakalpakstan; soil erosion, desertification, a low level of urbanization, double-landlocked country et cetera). Uzbekistan faces a high rate of unemployment and an outflow of labor migrants. One can distinguish several types of global migration to which Uzbekistan contributes its share: 1) labor; 2) permanent residence; 3) “brain drain” and 4) human trafficking.

Corruption, rent relationships and economic mismanagement have caused stagnation in socioeconomic development. At the same time, the government adopted a number of programs and decisions, the parliament new laws and the new president a number of decrees that are directed at promoting economic liberalization, reducing the licensing system, supporting entrepreneurship and the like.

According to the UNDP Human Development Report for 2016, Uzbekistan is ranked by international socioeconomic indexes as follows:

Human Development Index – 0.675; Gini Index – 35.2; Poverty rate – 0.014; Literacy rate – 99.5%; Ratio of female to male enrollment – 0.9 of HDI; Female labor force – 48.1%.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	57690.5	63067.1	66903.8	67220.3
GDP growth	%	8.0	7.8	8.0	7.8
Inflation (CPI)	%	-	-	-	-
Unemployment	%	9.0	9.0	8.9	8.9
Foreign direct investment	% of GDP	1.1	1.0	0.1	0.1
Export growth	%	8.3	-5.1	-5.3	0.5
Import growth	%	5.9	-4.1	-13.4	-2.4
Current account balance	\$ M	-	-	-	-

Question
Score

Socioeconomic
barriers

4

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Economic indicators		2013	2014	2015	2016
Public debt	% of GDP	7.9	8.4	11.5	12.8
External debt	\$ M	10679.2	13310.9	14854.0	16282.5
Total debt service	\$ M	701.1	886.8	1269.8	1363.0
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	15.6	15.8	15.8	15.8
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	3.1	3.1	-	-
R&D expenditure	% of GDP	0.2	0.2	0.2	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition is present only in small segments of the economy although its institutional framework is formally well developed. Rules for market participants are very unreliable and frequently changed arbitrarily and there is heavy and often ad hoc intervention by the regime and its informal networks that are abusing state institutions for private goals. The informal sector is large. Yet key elements of the command economy persist. Antitrust and anti-monopoly policies look prudent, yet the regime maintains control over the distribution of key resources, thereby undermining competition and other market mechanisms.

One of the long-lasting problems in Uzbekistan's economy is the non-convertibility of the national currency. There are two currency rates – state and black market. By January 1, 2017, 1 USD was equal to 3,239 UZS (state rate) and to 6,600 UZS (black market). The prices of different goods, including staple foods in the market, are not stable.

Although there are many joint ventures and companies with foreign investments, many of them have complained until recently of difficulties in withdrawing their earnings or converting currency. Some foreign companies had to close their operations in Uzbekistan due to the unfavorable investment climate. The new president followed a well-established tradition and promised to improve the investment climate and attract more investments to the national economy. Also, the

Market-based competition

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level of the state's interference in the national economy was recently critically evaluated.

The basics of anti-monopoly legislation were set in 1992. In the same year, the State Committee for Privatization, Demonopolization and Competition Development was created, and, in 2000, the government endorsed its independent status, supporting it with a number of anti-monopoly laws. It deals with administrative regulations in the sphere of developing private ownership, investments, stock transactions, capitalization and profitability of joint stock companies, bankruptcy, and control of the implementation of legislation and so on.

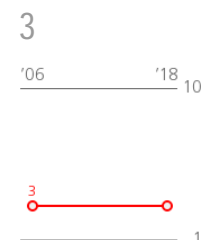
In general, cartelistic structures are not characteristic to the national economy of Uzbekistan. However, there are companies and firms affiliated with or owned by regime members and their families which enjoy informally established privileged positions in the market leading to monopolistic conduct and predatory pricing. The same privileged positions have been informally granted to the companies controlled by the National Security Service (SNB), as well by the Ministry of Internal Affairs.

The State Committee for Privatization, Demonopolization and Development of Competition is authorized to take appropriate measures in the sphere of antitrust regulations and the development of the private ownership sector. In July 2014, the president adopted a decree "On Additional Measures on the Realization of Objects of State Ownership to Small Business and Private Entrepreneurship Entities." In January 2016, a further step was taken and a competition was announced for the realization of joint-stock companies to strategically attract foreign investors.

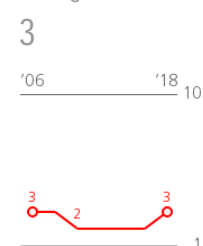
Foreign trade is largely regime-supervised and controlled by regime members and their families. Until recently, foreign trade has followed non-discrimination principles in form, but was significantly distorted by tariff and non-tariff barriers, excise fees and the non-convertibility of the national currency. The economy is largely dissociated from the world market, which might have had some positive effects during the global economic crisis. The regime conducts a protectionist foreign trade policy, officially aimed at protecting and developing local producers by fencing them from import competition.

However, some new tokens of the liberation of foreign trade appeared with the election of the new president, who pointed to the issue of economic liberalization. For instance, on January 27, 2017, President Mirziyoyev adopted a decree on opening in Uzbekistan of Uzagroexportbank, a joint-stock commercial bank. The goal is to create favorable conditions for producers of agricultural products and for the population, as well as financial support for exporters and the development of export potential for fruit and vegetable products.

Anti-monopoly policy



Liberalization of foreign trade



While subjective and objective problems persist in the liberalization of foreign trade, a protracted process has also been taking place between Uzbekistan and the WTO regarding the country's entry into this organization.

Currently, there are formally 27 commercial banks (three state-owned, 11 joint-stock, five with foreign capital, eight private), 854 branches and retail offices, 82 microfinance entities, alongside with the central bank and the Fund for Reconstruction and Development.

In almost every speech the president points to achievements in the development of the banking system of Uzbekistan and the urgent task of reforming it as crucial for further economic development. According to Standard & Poor's, Moody's and Fitch Ratings reports from 2016, all commercial banks in Uzbekistan nowadays have positive ratings and the development of the banking system is evaluated as stable. According to the World Bank Doing Business Index, the rating of the credit system in Uzbekistan has shifted from 105th in 2014 to 42nd in 2015. However, the World Bank (Country Program Snapshot, April 2016) also points to persistent weaknesses such as the public sector dominance in banking which, for instance, has led to considerable loans to large government projects and state-directed lending, often at below-market rates. Moreover, the World Bank also reported that there are structural weaknesses in corporate governance and that bank regulations do not fully meet international standards.

Within the national bank for Foreign Economic Activity, a special fund was created for providing support to small business and private entrepreneurship. This fund has provided financial and legal services to 2,400 entrepreneurial entities to help promotion of their goods and services in foreign markets. Due to this assistance, these entities signed \$1.25 billion in contracts.

A further liberalization of the banking system is envisaged in the Uzbekistan's Five-Area Development Action Strategy, published in January 2017.

Bank capital to assets ratio for Uzbekistan, according to the World Bank, has been around 11% since 2011. The figure for non-performing loans has been very low according to international standards: in 2015 it was 0.4%.

8 | Currency and Price Stability

The central bank regulates inflation and foreign exchange policies mainly via administrative measures, an inadequate system for a market economy. Though inflation control is purportedly a component of Uzbekistan's economic system, it is institutionally and politically subordinated to other goals. The government seeks to control inflation and prices by artificially tightening the money supply through both regulatory and informal measures. On one hand, forex policy is designed to protect

Banking system

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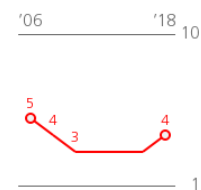
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Anti-inflation /
forex policy

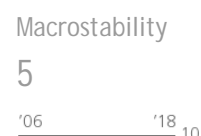
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local producers and prevent the outflow of capital; on the other hand, the side effect of this policy is often to create shadow businesses that play on two exchange rates – the official and the black market. The UZS has gradually depreciated against the U.S. dollar and the euro. At the end of 2016, UZS-to-USD rate hovered around UZS 3,300 (state rate) and UZS 6,700 (market rate).

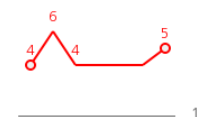


Officially, the 2013 and 2014 inflation rates were 6.8% and 6.1% respectively. However, international financial institutions, like IMF, point to the escalation of prices for electricity, gas, food and medicines, as well as higher production and labor costs, estimating the actual inflation rate to be at least 10% for 2015 to 2016. Convertibility of the national currency is envisaged in Uzbekistan's Five-Area Development Action Strategy for 2017-2021.

During the last several years the GDP growth rate has been kept stable – based on official national statistics and in the absence of an independent audit – at around 8% level annually. Even if the figures are correct, it has been growth without prosperity for the population.



The government tried not to let debt, especially external debt, reach levels that pose a risk to the national economy. External debt is low and debt sustainability is not a concern. GDP growth and current account surpluses over the past decade have translated into rapidly falling indebtedness, with external debt also declining rapidly from 64% of GDP in 2001 to 15.8% in 2015. External debt has been serviced comfortably. The debt service ratio was 4.5% in 2015. The total external debt is projected to increase to around 19% in 2016 to 2017.



According to the World Bank, the net inflow of foreign direct and portfolio investment declined from 3.6% of GDP in 2011 to 1.2% of GDP in 2012 and has remained low since then, due to higher risks and slow improvement in the business environment, which are projected to hold back overall private investment growth. Cumulative FDI inflows since independence remain low in per capita terms, reflecting foreign investors' concerns and the government's reluctance to open up the economy and address the lagging areas of the foreign investment climate and the business environment.

Current account balance is kept at the level of 0.9% of GDP in 2015. Total external public debt reached 10% in 2015. Government consumption is about 22-23% of GDP.

An essential gap persists between official and unofficial exchange rates, which create a huge space for black market speculation and the rise of criminal groups that control the currency exchange markets. It also fuels corruption in the police and the banks. Thus, this affects both macroeconomic and social stability.

The consolidated fiscal balance, including the Fund for Reconstruction and Development (FRD), dropped from a surplus of 2.0% of GDP in 2014 to 0.4% in

2015. In general, the government's fiscal and debt policies promote macroeconomic stability, but lack institutional safeguards.

9 | Private Property

Property rights and regulations on acquisition, benefits, use and sale of property are defined formally in law, but they are not implemented or enforced consistently. Often, property rights are not adequately safeguarded against arbitrary intervention by regime members abusing state agencies for private purposes.

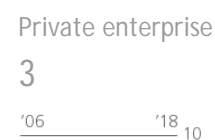
The creation of opportunities for the development of private property and private entrepreneurship by means of structural reforms, modernization and diversification was announced by the former president of Uzbekistan, Islam Karimov, as a priority task for the year 2015, as well as by the current government for the next period. So far there have been no tangible results.

According to official data presented by President Karimov in his Annual Report on the Results of Socioeconomic Development of the Country in 2015, the share of small businesses and private entrepreneurship in the GDP has grown since the year 2000 from 31% to 56% (and from 12.9% to 31.1% in the industrial sector). Of employed people, 76.5% works in the private sector as compared to 49.7% in 2000. However, state-owned companies or monopolies dominate strategic sectors.

Although private businesses can, in principle, operate freely, they often encounter economic, political and social barriers to development. This is especially true of the agricultural sector. In the cultivation of cotton and wheat the state dictates selling and pricing. There are cases of private property expropriation by government entities.

At the same time, the government declared its commitment to support the private sector and small- and medium-sized enterprises. But regulations in this sphere lack transparency and are often inconsistent and unevenly applied. In 2016, Uzbekistan ranked 82nd in the Ease of Doing Business Index of the World Bank. According to the World Bank, it takes 15 days to start a business in Uzbekistan. Other data also show slight improvements: cross-border trade: 166th, paying taxes: 139th, dealing with construction permits: 147th and enforcing contracts: 37th.

On January 12, 2017, President Mirziyoyev signed a decree according to which in four provinces of Uzbekistan – Samarkand, Bukhara, Fergana and Khorezm – free economic zones (FEZ) will be created: Urgut, Gijduvan, Kokand and Khazarasp. They are set up for 30 years with the possibility of prolongation. During this period special tax, customs and currency regimes will be established within the FEZ. Participants will be released from paying a number of taxes. For instance, if an investor invests up to \$3 million, privileges will be provided for three years; investing



from \$3 million to \$5 million will stipulate guarantees on tax privileges for five years; from \$5 million to \$10 million the investor will receive seven years of privileges.

10 | Welfare Regime

Considerable portions of the population are still at risk of poverty. State salaries and pensions are very low. Many families would not survive if they did not receive remittances from their relatives working abroad.

President Karimov officially declared that in 2015 60% of the state budget was directed to the development of the social sphere and that, as of January 1, 2015, incomes in the amount of one minimum monthly salary were not taxed. He also stipulated an increase in 2015 of salaries, pensions, stipends and social allowances by 22% and real incomes by 10%. The share of social allowances and material support for the most needed families and compensation payments in 2015 amounted to 1.4% of GDP.

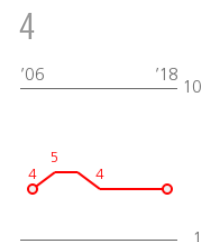
At the same time, the government and its labor agencies are inclined to manufacture unemployment statistics, reporting unemployment rates at about 4-5%. But according to international estimates, it is 10.7%. Unemployment pressures have been partly mitigated by labor emigration, mainly to the relatively wealthier states of Russia, South Korea and Kazakhstan. In 2015, Uzbekistan received \$1.9 billion in remittances from Russia. This is considerably less than in previous years (according to Russia's central bank, the sum was \$910.4 million in January to March 2014, which was \$120 million less than in January-March 2013).

On October 12, 2016, a new law "On Social Services for the Elderly, Disabled and Other Socially Vulnerable Population Categories" was adopted, which covers the complex of legal, economic, psychological, educational, medical, rehabilitation and other measures aimed at helping socially vulnerable people.

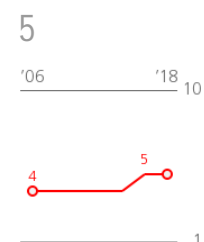
Equality of opportunity is largely achieved. Women and members of ethnic or religious groups have near-equal access to education, public office and employment. There are a number of legal provisions against discrimination.

The literacy rate is almost 100% because initial, primary and secondary education is obligatory in Uzbekistan and the system of schools, albeit often corrupt and malfunctioning, covers the whole population of the country. The ratio of female to male enrollment is 0.945. Rural youth have fewer opportunities, in comparison to those living in big cities, to acquire a decent education and jobs. Girls and young women have de jure and de facto equal rights to education and often exercise these rights.

Social safety nets



Equal opportunity



Although the unemployment rate in Uzbekistan is very high, this is the problem for all categories of citizens. There is almost no explicit discrimination against certain categories of citizens in employment. The share of female labor force is 47.6%. There are a high number of job advertisements in newspapers and on the internet. Gender equality is officially established and propagated. There is a 30% quota for women in parliament. The Committee of Women of Uzbekistan – a quite active GONGO – represents women’s rights in all social spheres.

11 | Economic Performance

According to the Asian Development Bank (ADB), Uzbekistan’s GDP registered a growth of 8.1% in 2015 to 2016, with GDP totaling \$66.73 billion.

Uzbekistan’s major exports resources are gas, gold, cotton and uranium. Uzbekistan is the world’s ninth largest gold producer, with annual production of 100 tons. Uzbekistan is the world’s seventh largest producer of uranium, which is entirely exported (2,385 tons annually constituting 3.9% of world production). Prices for wheat, one of the main import commodities, also increased during the period under observation.

Uzbekistan companies export textile products to more than 50 countries in the world. In this context, it has to be noted that in 2016 the volume of cotton fiber processing reached 40% of the total production of cotton (in 1991 this figure was only 7%).

Official macroeconomic data every year reflect steady economic dynamism: in 2015 inflation rate was 5.6%, external debt was 15.8% of GDP, the current account balance was 0.9% of GDP, public debt was 10% of GDP, tax revenue 20% of GDP. However, the relatively high unemployment rate (officially around 4%, unofficially above 10%), inflation, the absence of currency convertibility cannot but undermine real progress and diminish confidence on the part of foreign investors.

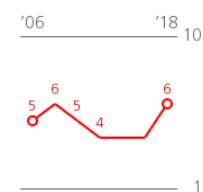
FDI is very low at only 1.3% of GDP in 2015. There have been some initiatives: for instance, 164 investment projects have been implemented for a total sum of \$5.2 billion. Another initiative was the establishment of four free economic zones – Urgut, Gijduvan, Kokand and Khazarasp – in January 2017.

12 | Sustainability

In the 2016 Environmental Performance Index, Uzbekistan ranked 118th out of 180 countries (in 2010, its rank was 144th out of 163 countries). This figure averages the country’s rank of 65 on health impacts, 116 on air quality, 84 on water and sanitation, 140 on water resources, 140 on agriculture, 144 on biodiversity and habitat, and 8 on climate and energy.

Output strength

6



Environmental policy

5

Uzbekistan suffers from one of the heaviest man-made environmental disasters in the world – the drying up of the Aral Sea. In 2014 it was announced that the eastern part of the Aral Sea had completely dried up, so the ecological situation in the sea basin is further deteriorating.

Uzbekistan has ratified the Rio Declaration on Environment and Development, the UN Framework Convention on Climate Change (UNFCCC); the Kyoto Protocol; the UN Convention on Biological Diversity (CBD); the Convention to Combat Desertification (UNCCD); the Vienna Convention for the Protection of the Ozone Layer; the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and Their Disposal; the Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques; as well as the Convention on Wetlands of International Importance especially as a waterfowl habitat. Uzbekistan participates in the Council of the Land in the work of the Charter of the Land project.

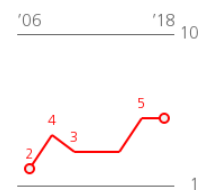
International organizations such as UN/UNDP, OSCE, UNESCO, EU, World Bank, Regional Environmental Center for Central Asia, JICA (Japan's International Cooperation Agency) and others are also deeply engaged in this sphere and provide technical, financial and information support as well as expertise to assist state agencies and NGOs in nature protection, mitigation of environmental problems (such as soil, water, agriculture), helping local population exposed to consequences of environmental catastrophes, awareness raising et cetera.

In a number of universities in Uzbekistan courses on ecology have been introduced; there are a few NGOs, ECOSAN (Ecology and Sanitary) being most prominent among them, that are active and realize various projects in the sphere of environmental issues.

Uzbekistan possesses a significant potential of renewable energy. Work on the draft law “On Renewable Energy Sources” is currently underway in parliament. Meanwhile, in addition to the construction in 2014 of a 100-megawatt solar power station in Samarkand Province, the first in Central Asia and one of the biggest in the world, plans to construct new power stations of this kind were announced in 2016.

One of the important directions of environmental policy is CO² reduction. Currently Uzbekistan takes measures to reduce CO², particularly, in the framework of \$120 million invested in 14 projects under the Kyoto Protocol's Clean Development Mechanism.

On August 23, 2016, the Cabinet of Ministers adopted The Program of Monitoring the Environment in the Republic of Uzbekistan, which concerns the monitoring of: air pollution, surface water, groundwater and land pollution, radiation, dangerous geological processes, flora and fauna, lake ecosystems and adjacent territories and transborder environmental pollution.



The education system is highly inefficient despite officially very impressive figures. Officially, in 2015, about 10-12% of GDP was spent on the education sector (which is twice as much as the requirement by UNESCO). R&D, however, only receives 0.05% of GDP. Education in Uzbekistan is run by the state under the direct management of the Ministry of General Education and the Ministry of Higher and Specialized Education. Unfortunately, the education system of Uzbekistan – from elementary schools to universities – suffers from rampant corruption.

There are 77 higher education institutions in Uzbekistan: 20 universities, 35 institutes, two academies, 10 university branches in provinces and seven branches of international universities. The international universities provide international diplomas and are relatively better equipped and of higher quality than the other universities. Education in them is conducted in English or, in the Russian universities, in Russian. In other universities an insufficient share of funds is dedicated to such things as research, maintaining library systems, purchasing literature and increasing the remuneration of faculty, who then extort bribes from their students. It is very common for students to get higher grades in exchange for bribes to their professors and university administrators.

At the bachelor's level, 69% of students' study on a fee basis (individual contract), and at the master's level it is 75%. The activities of the Center of Electronic Education improved in 2016 with a special resolution by the Cabinet of Ministers of Uzbekistan.

Non-governmental educational institutions (NEI) have a narrow corridor of opportunities because of restrictive licensing rules and strict government control. For instance, NEIs teaching social or other sciences to graduate students and young scholars, not to mention private universities, do not exist because of behind-the-scene restrictions. Moreover, the whole education system of Uzbekistan from kindergartens to universities and academies is highly ideologized and saturated with patriotic indoctrination.

The U.N. Education Index ranks Uzbekistan 78th-80th out of 188 countries with an index of 0.71.

Academic progress is further inhibited by inadequate technical and information resources, underpaid teachers, under-qualified staff, a shortage of qualitatively good textbooks, insufficient equipment, insufficient gas and electricity supplies to the buildings, as well as the lack of close collaboration between educators, science and industry.

Education policy /
R&D

5

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1

Governance

I. Level of Difficulty

The structural constraints on governance are significant but manageable. Key structural problems include a landlocked geographical location of Uzbekistan; high agricultural dependence on water resources that originate elsewhere, with up to 90% of water coming from neighboring Tajikistan and Kyrgyzstan; and the desiccation of the Aral Sea in combination with an environmental disaster in Karakalpakstan (a northern province of Uzbekistan).

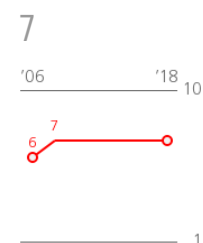
Another challenge is the persistence of the high birth rate (2016: 17.02 births per 1,000 inhabitants) causing rapid population growth and an increasing ratio of young people in the population. Each year, around 300,000 young people enter the labor market, many of them without prospects of acquiring a decent job. Meanwhile the economic policy toward small- and medium-sized business that would absorb this labor surplus is changing in favor of encouraging the creation of new jobs.

Given growing poverty, severe unemployment and infrastructural deficiencies in provincial areas (in many towns and villages the local population suffers from lack of gas, electricity and water supply infrastructures), internal migration, side by side with external migration, has led to overpopulation in the capital Tashkent which, among other things, caused a serious imbalance in the distribution of labor force and national wealth, as well as adding to existing structural problems.

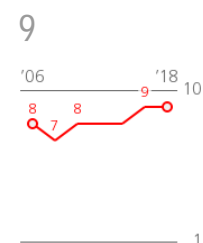
Civil society traditions are very weak. The regime has strictly controlled the activity of representatives of civil society. Nevertheless, some NGOs and individuals do demonstrate enthusiasm in advancing public interests and voicing specific social needs. For instance, such groups as environmentalists and youth organizations gradually have come to occupy a visible niche in society.

Although a civic culture of participation in public life manifests itself mostly in (often ideologized) activities mobilized and orchestrated from the top, culture and civil society traditions are taking root and growing steadily on the virtual level: internet and social networks. In daily life, however, the most important feature of civil society – pluralism – is so far subject to strong suppression at the hands of the regime.

Structural constraints



Civil society traditions



With the election of the new president, tokens of liberalization in public relations did appear. Moreover, expectations of such liberalization are growing among ordinary people, NGOs, intelligentsia and youth.

Although there are no actual violent incidents based on social, ethnic or religious differences, nonetheless latent divisions exist within society and the political elite along local, regional and social lines. The polarization is also implicit between the center and the periphery as well as between the extremely rich and the desperately poor.

Inter- and intra-religious conflicts are unlikely due to the religious and interethnic tolerance of the local population. There are a few remnants of Islamic extremist groups, which after the crack down on them in 1990s-2005 lost their strength and recruiting manpower.

In this context, the funeral of the former mufti and most respected and authoritative sheikh in Uzbekistan, Muhammad Yusuf Muhammad Sodyk, who died on March 10, 2015, deserves mention. Hundreds of thousands of Muslims from all corners of Uzbekistan came to Tashkent for the funeral to pay tribute to the sheikh. Such a mass gathering had not taken place in the country since independence. In other Muslim countries, similar events often cause demonstrations, expressions of resentments by people and opportunities to protest against the government. In Tashkent, the ceremony was very peaceful and quite orderly; yet the sheikh was famous for his critical attitude toward the regime and independent views.

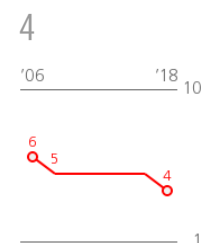
II. Governance Performance

14 | Steering Capability

The government does not always pursue in practice the strategic priorities it airs to the public. Often the publicly articulated policies remain empty declarations, while in reality the government pursues short-term priorities often contradicting each other. Until recently, the political decision-making process has been highly opaque and often depended on the president's moods.

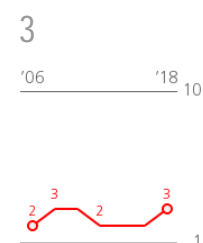
The government concentrates each year on one particular program goal or social priority. These one-year programs, such as the Year of Attention and Care for the Older Generation (2015), the Year of Healthy Child (2014), the Year of Prosperity and Well-Being (2013), the Year of the Family (2012), the Year of Small Business and Enterprise (2011) and so on, accompanied by some legislative initiatives and

Conflict intensity



Question
Score

Prioritization



activities aimed at demonstrating that the government cares about social issues and concerns; yet their impact has been fairly limited.

Newly elected President Mirziyoyev proclaimed 2017 The Year of Dialog with People and Human Interests. He let the people know that the priority for the near future is decentralization of the government, administrative reform, improvement of the system of governance, bringing official and state agencies – on one side – and people – on the other – closer to each other, in order to satisfy people’s growing needs.

Besides, in January 2017 a new draft five-year development strategy was uploaded to the portal of the interactive state services website for public discussion. This document envisages five basic directions for reform: modernization of state management; improving the legal system; liberalization of the economy; reforming the social sector and advancing the principles of foreign policy. For the time being, this is only a public display of activism typical of successor authoritarian state leaders in the early days of holding office.

In principle, the capacity of the government and administration to implement policies is strong, but constrained by the nature of the authoritarian regime in Uzbekistan. Every year in January or February the president presents a report to a Cabinet of Ministers’ meeting devoted to the results of the country’s socioeconomic development during the past year and the cabinet approves a new strategic plan for the new year.

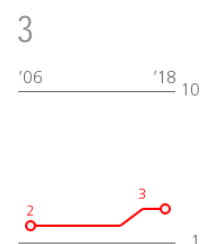
Projects such as the construction of new railroads, highways and bridges (like the new high-speed railroad connecting Tashkent and Fergana Provinces in 2016), the creation of new plants and industrial enterprises, the cultivation of cotton and the mining gold and uranium are usually well organized and implemented. But profound problems remain in the spheres of the development of small and medium-size business, free entrepreneurship, political and economic liberalization, the development of civil society, education and medicine, social allowances and the like.

After being elected, President Mirziyoyev met with academics and representatives from health care and discussed the most pressing problems they are facing and promised reforms of the law enforcement agencies.

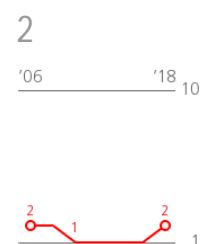
There are only a few relatively capable independent think tanks and academic institutions that would critically, albeit to a limited degree, review existing policies or analyze the problems the government faces and the mistakes it makes. For instance, the Center for Economic Research and the Expert Fikri [Expert Opinion] sociological center carry out research and have strong expertise.

The registration of the new think-tank Knowledge Caravan Research Institution is currently underway. It is set to start work in February 2017. Its activity was restricted in 2014 to 2015 but it is re-arranging its modus operandi and intends to become a

Implementation



Policy learning



strong independent institution capable of research and consultancy for governmental bodies.

The political leadership maintains interaction with international institutions, such as the UNDP, the OSCE and the World Bank, whose offices operate in Tashkent. The expertise provided by international experts is accepted and the efficiency of such interactions is expected to increase should the ongoing, new stage of reforms materialize.

15 | Resource Efficiency

The Uzbekistan government's management of available resources is unknown because of the non-transparent character of the system. The regime has until recently pursued a "constant pie orientation" policy in which power groups in the central and regional governments secured benefits for themselves and were not interested in increasing economic or other resources.

The country enjoys vast natural resources, including gas, gold, non-ferrous metals, uranium, good climate conditions for agriculture and various crops, including cotton, fruits and vegetables. Yet the country needs a more favorable institutional environment for private business, investment and fair market competition. The government has relied to a great extent on the accumulation of export revenues in its own hands and preferred to act as a chief investor, which is akin to the old Soviet system of top-down economic planning.

The Karimov regime was deficient in appropriate human resources to tackle short-, mid- and long-term challenges. It could not establish competitive recruiting procedures. Frequent dismissals of public officeholders without clear explanation of the reasons suggest that many of them were politically motivated or based on patron-client relationships. Meanwhile, Mirziyoyev as the new president initiated changes in the system of cadres by appointing new deputy ministers and provincial governors. The efficiency of such restructuring of the cadres system is yet to be seen.

The government system and policy coordination mechanisms are non-transparent. The regime combines various coordination styles – hierarchical bureaucratic, informal network, personalist, centralized, even ideological – and such tactics are often functionally efficient in terms of implementation of governmental tasks. However, the mere appearance of policy coherence is created. Such a sophisticated policy coordination mode is based on strict executive discipline focused on vigilant surveillance from above.

The president used to frequently replace hokims [mayors] of provinces and cities – a policy that pursued three interrelated objectives, namely: to prevent concentration of

Efficient use of assets



Policy coordination



too much local power in the hands of hokims who more often than not abuse their power; limit the scope of corruption; and ensure executive discipline.

The power of the president is vast, but limited by the need to maneuver between influential rich business groups and maintaining checks and balances within the executive branch of government. The course set by President Karimov was a derivative of numerous objective and subjective factors, including the activities of his advisers, the peculiarities of the national bourgeoisie and interest groups and law enforcement organs, a confluence of international circumstances, the situation in the region, and geopolitical factors related to the pressure or influences of great powers. From this perspective, one can talk about “team work” in formulating, implementing and coordinating state policy. Therefore, potential changes in domestic and foreign policy will not result from merely the replacement of the head of state.

During the rule of President Karimov, the regime did not take any serious measures to curb the country’s widespread and rampant corruption at the institutional level, apart from periodic cadre purges that only replaced one abuser of office with another. Government-controlled media preferred not to discuss the topic of corruption within government agencies. Fighting corruption was only an instrument in the hands of the president, used for intimidating the noncompliant. Prosecutors and courts only considered corruption charges when accusations of corruption – following leadership instructions – were brought against officials who had fallen out of favor with the head of state and forced to retire, or independent journalists and human rights activists for allegedly extorting bribes.

There is no freedom of press in Uzbekistan that would create space for investigative journalism and protect investigative journalists from persecution for their professional activity. Although the Criminal Code envisages punishment for corruption, such integrity mechanisms as auditing of state spending, regulation of party financing, citizen and media access to information, accountability of officeholders including asset declarations, conflict of interest rules, codes of conduct, transparent public procurement system are not established. And it is difficult to make such mechanisms work because corrupt relations permeate the entire social, educational, economic and political spheres.

Meanwhile, on December 13, 2016, the Senate of the Oliy Majlis adopted the Law On Combating Corruption, which the president signed on January 4, 2017. Hopefully, the long- awaited legislative measure will be a more effective tool in fighting corruption. It is noticeable that this law was the first one that the new president signed.

Anti-corruption
policy

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16 | Consensus-Building

The major political actors rhetorically agree on establishing or consolidating democracy as strategic, long-term goal of transformation but this consensus concerns only what is called an “Uzbek model” for reform (or democracy). This unanimity is based on the well-established loyalty of all actors to the regime. Moreover, the president and the government constantly articulate their devotion to democracy. At the same time, any proclaimed consensus on this goal is ambivalent, since the “Uzbek model” revealed that the longer the formal commitment to democracy stagnates without real reforms, the less it will meet the expectation of the people. The new president faces the challenge of reforming a state system with relatively conservative people who just woke up from a long political slumber. Whether he will dare to undertake perestroika in Uzbekistan or limit himself to only redecorating the existing system will depend on a number of domestic and international factors including geopolitics, on the one hand, and a political awakening of the nation, on the other.

A high degree of consensus – on a rhetorical level – does exist with regard to the market economy, the official reason being that it implies private ownership, entrepreneurship and free business practices that satisfy the material interests of the people and office holders.

The question “To what extent can reformers exclude or co-opt anti-democratic actors?” in the context of Uzbekistan could be reformulated as follows: “To what extent can the authoritarian regime include or co-opt pro-democratic actors and reformers?”

The former president and the government were pro-democratic in words and anti-democratic in deeds. The major opponent to democracy in Uzbekistan was President Karimov and his milieu. Some militant Islamists operating underground are also opposing democratic principles of governance but most of them fled the country after government’s crackdown on them.

There are some professionals within the government who are receptive and sympathetic to the idea of reforms, but they are very weak and are not able to control anti-democratic actors. The political opposition, weak, unprofessional and disorganized, is operating outside of the country. Hope for democracy could emerge either from the grassroots level if citizens rise up or when a political thaw happens. Tokens of the latter emerged after Mirziyoyev’s election in December 2016.

Consensus on goals

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Anti-democratic actors

2

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In recent years the regime has not faced any serious cleavages in society along social, religious and ethnic lines. There is inherent division in society among regional clans struggling for power and control of resources. However, such divisions have not yet manifested itself in the political and party systems and remains latent and within manageable frames.

In general, the political leadership has proved able to moderate cleavage-based conflicts. This has been helped by the deeply rooted interethnic, religious, cultural tolerance in Uzbekistani society, which makes cleavages less likely and less violent overall.

Civil society organizations are mostly excluded from the policy process and relegated to non-political matters. Since the so-called color revolutions and as a reaction to them, the Karimov regime has adopted a policy of restricting civil society initiatives and associations.

The third sector is dominated now by GONGOs (government-organized NGOs), which are indeed periodically invited to meetings at local and top levels. But these organizations should not be confused with the genuine civil society.

On one hand, the relatively active civil society actors try to utilize sophisticated formal and informal channels for conveying their information and demands to politicians. They sometimes collaborate with GONGOs (such as the Institute for Monitoring the Formation of the Civil Society), or use internet channels (such as <https://my.gov.uz> or <https://pm.gov.uz>, which have call-centers and mechanisms for delivering complaints) or even use personal communication channels. On the other, the government uses its own specific channels, including the security service, to observe the moods among the population and register specific social and would-be political trends.

So far, the new leadership is concentrated more on governance, entrepreneurship and social issues than on democracy and civil society. But ultimately the activation of civil society will be a litmus test for understanding the real intentions and capacities of the new leadership of Uzbekistan.

In post-Soviet Uzbekistan, major injustice was done to the protesters in Andijan in May 2005. According to independent sources, more than 1,000 people were massacred on 13 May 2005 after they staged a mass rally in Andijan. Hundreds were detained and sentenced to long prison terms without having been provided access to legal defense. Some of them died due to ill-treatment and torture. Around 400 escaped from the country and received asylum in Western countries. The injustice done to these people is yet to be addressed.

Meanwhile, Uzbekistan's three longest serving political prisoners were released: former lawmaker Samandar Kukanov in November 2016, exactly 10 days before Presidential Election Day (December 4), after spending 23 years and 4 months in

Cleavage /
conflict
management

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Civil society
participation

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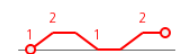
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Reconciliation

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prison; the pioneering Uzbek banker Rustam Usmonov, age 69, on February 15, 2017, after serving 19 years in prison, and the prominent Uzbek journalist Muhammad Bekjon released on February 22, 2017, after almost 18 years in prison. And although there are still dozens of political prisoners serving long terms in prisons, these releases can be considered a political gesture the substance of which, however, depends on what is to follow.

17 | International Cooperation

Uzbekistan implements its Millennium Development Goals program. After completion of the measures envisaged in Uzbekistan's Welfare Improvement Strategy (WIS) for 2008-2010 and the WIS for 2013-2015, the ADB's Country Operations Business Plan for 2016-2018 was adopted. At the same time, the government accepts international assistance very selectively, embracing cooperation with some international agencies (mainly the U.N., UNDP, UNESCO, the World Bank, the ADB and the EU), and rejecting cooperation with others.

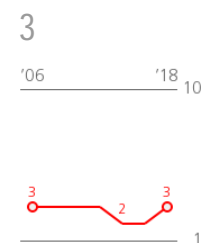
In addition to international organizations, Uzbekistan draws support from China. A recent, illustrative event was an official ceremony that took place on June 22, 2016, in Tashkent devoted to the completion of a strategically and grand project symbolizing Uzbekistan-China cooperation – the construction of the Angren-Pap electric railroad segment (in southeast Uzbekistan) and the Kamchik Tunnel. The general contractor for the project was the China Railway Tunnel Group. At the ceremony, President Karimov and PRC Chairman Xi Jinping delivered solemn speeches emphasizing the project's completion within 32 months and the fact that a 19.2 km tunnel was drilled.

The Kamchik Tunnel is the biggest construction of this type in post-Soviet space; in the world in complexity it is in 8th place among mountain tunnels. The tunnel opened for operation in August 2016.

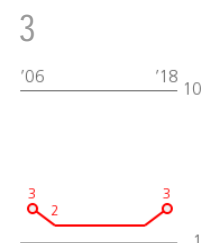
In terms of reform policies, the government of Uzbekistan has not been able to attain solid international credibility due to its excessive cautiousness regarding the mythic 'democracy promotion' agenda and the slow pace of reforms.

Among international agencies that enjoyed the privilege of implementing projects in market reforms and democratization are the UNDP, the EU and the OSCE, which themselves do not articulate directly the very issues of democracy and market economy, but rather cautiously wrap them into less sound notions, like human development, Millennium Development Goals, environment, irrigation, renewable energy, prevention of corruption, seminars for local executive and legislative branches of power and so on. Nevertheless, cooperation with them is going quite well.

Effective use of support



Credibility



A few international NGOs such as the German Friedrich Ebert Foundation and Konrad Adenauer Foundation do operate in Uzbekistan, but their activity is restricted; they cannot undertake any project without approval from state structures such as the Ministry of Foreign Affairs or the Justice Ministry.

Most of the prominent international organizations such as Human Rights Watch, Transparency International, Freedom House, International Crisis Group and others critically evaluate the state of reforms in Uzbekistan, though the government tries to present itself as a credible and reliable partner.

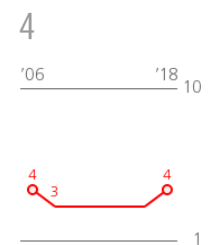
Cooperation with foreign states is developing steadily on the bilateral level and multiple agreements are regularly signed in many areas of cooperation.

The political leadership in Karimov's time cooperated selectively or sporadically with individual neighboring states and was reluctant to accept the rules set by regional and international organizations.

For the last few years, the Karimov regime has been increasingly hostile to Tajikistan's plans to complete the construction of the Roghun hydroelectric power station, which was started in the Soviet period. The regime's main argument against this project is that it is an ecological disaster and could lead to a water shortage for Uzbekistan's agriculture. But Uzbekistan's leadership ignored Tajikistan's need to achieve energy independence. For years, Uzbekistan has used its privilege as an exclusive gas exporter to neighboring countries, especially Kyrgyzstan and Tajikistan, as an instrument of political pressure, constantly cutting off supplies and often leaving the population of these two countries without heating during the winter period. To prevent the construction of the Roghun power station, Uzbekistan has imposed a transport blockade by impounding thousands of rail carriages with supply materials for the construction and other economic needs of Tajikistan. The Uzbekistan government has tried to mobilize international public opinion in order to isolate Tajikistan and condemn its construction plans. Until recently, this conflict remained heated because the Uzbekistan government dismissed any idea of a dialog with Tajikistan on political, diplomatic and expert levels.

Post-Karimov Uzbekistan is changing with regards to regional affairs. From the very outset of his advent to supreme power as interim president in September 2016, Mirziyoyev strongly emphasized that improved relations with neighboring countries in Central Asia will be a major foreign policy priority. On a practical level, the first tokens of such a breakthrough in Uzbekistan's regional stance have already been manifested in some motions toward rapprochement with Tajikistan and Kyrgyzstan; and this can to some extent be considered a break with Karimov's line. Official sources announced that from January 2016 air traffic between Tashkent, the capital of Uzbekistan, and Dushanbe, the capital of Tajikistan, would be restored. This long-awaited event is considered by many as a real token of rapprochement between the two countries. The disruption of flights between the two capitals has been a symbol

Regional
cooperation



of persistent tension between them. It was announced that the two sides intend to cancel the visa regime for their citizens visiting each other's countries.

Tashkent's regional contacts were given new and significant dynamism soon after the election of the new president. Mirziyoyev already met with the Minister of Foreign Affairs of Kazakhstan, Erlan Idrissov, who visited Tashkent on December 23, 2016, and stated that one of his first foreign visits will be to Kazakhstan. Just the next day, on December 24, 2016, Mirziyoyev received the president of Kyrgyzstan, Almazbek Atambayev, and discussed improvements in cooperation, including bilateral trade. A sizable delegation of Uzbekistan officials visited Tajikistan on December 27, 2016, to meet with Tajikistan's government and, in spite of Tajikistan having started dam construction, Uzbekistan has so far refrained from retaliating.

Strategic Outlook

Shavkat Mirziyoyev came to power as the consensus candidate among political elites against the backdrop of a firmly entrenched political system shaped by a quarter of century of Karimov's rule. No longer will references to the transition period excuse the slow pace of reforms and self-isolationism of the country from regional affairs. The course set by President Karimov was derivative of numerous objective and subjective factors and the outcome of "team work" on formulating and implementing state policy. Therefore, the replacement of one head of state by another will not suffice to generate significant change in domestic and foreign policy.

Mirziyoyev faces the profoundly challenging task of finding the right way between continuity of his predecessor's course and his own, new approaches. It is obvious that Mirziyoyev's rule cannot just be an extension of Karimov's regime. It needs to be different. This is why "continuity" is a tricky, albeit attractive and popular, term; it can be a misleading way to understand the new needs and tasks the nation is facing and for shaping post-Karimov policy. From this viewpoint, two legacies – the Soviet and Karimov's – need to be adequately evaluated and dealt with by Uzbekistan as a nation and the country's new leadership.

Whatever the real character and dynamics of Tashkent's new course, it will undoubtedly have a regional dimension. Whereas at the dawn of independence President Karimov proclaimed "Turkistan is our common home," for various reasons he could not embody this concept in Uzbekistan's regional policy. The new president must live up to his purported commitment to regional integration in his foreign policy.

Geopolitics is another determinant of Tashkent's domestic and foreign policy. Karimov managed to cope with it by balancing among the great powers and partly isolating the country from regional and international affairs. The new leadership will have to engage with them and pursue pro-active policies.

Ultimately, the greatest success of Uzbekistan's new leadership will lie along the way of liberalizing the political system, as well as the national mass consciousness. All in all, the so-called "Uzbek model" of political and economic reforms needs to be conceptually revised.

Given the adoption of the very important On Combating Corruption Law, a transparent, efficient, strong and resolute anti-corruption policy is of paramount importance. In this regard, the extension to Uzbekistan of good international practice and successful experiences should be encouraged. Administrative reform is also one of the urgent tasks of the new leadership, since the country suffers from a significant number of unqualified bureaucrats.

International organizations, primarily the U.N., the OSCE and the EU, as well as leading democratic states should be more determined and persistent in promoting democratic and market economy reforms. They should actively encourage a progressive pace of reform, especially when it comes to the development of civil society.