

BTI 2014 | Uzbekistan Country Report

Status Index	1-10	3.09	# 118 of 129	
Political Transformation	1-10	2.85	# 122 of 129	➔
Economic Transformation	1-10	3.32	# 116 of 129	➔
Management Index	1-10	1.78	# 125 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. 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	29.8	HDI	0.654	GDP p.c.	\$	3591.1
Pop. growth ¹	% p.a.	1.5	HDI rank of 187	114	Gini Index		36.7
Life expectancy	years	68.0	UN Education Index	0.716	Poverty ³	%	-
Urban population	%	36.3	Gender inequality ²	-	Aid per capita	\$	2.0

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The period from 2011 to 2013 was marked by no significant changes in the nature of Uzbekistan's political regime or its system of governance. It remains characterized by growing instability due to an imminent succession crisis. President Islam Karimov, who at 75 has held office unchallenged since 1990, has yet to disclose any succession plan.

On the one hand, this authoritarian lack of clarity and transparency exacerbates instability in an environment prone to court conspiracy plots and intra-court intrigues, and it intensifies the struggle between key claimants for the post-Karimov presidency. More often than not, this struggle has resulted in cadre reshuffles, with various officeholders finding themselves in prison, accused of corruption, unless they escape to reside in exile.

On the other hand, fearing threats to the country's political stability, Karimov has been increasingly reluctant to pursue long overdue reforms in the economy and the state governance system. This constant postponement of reform aggravates the economy's structural crisis and fuels corruption of public offices, thus contributing to the instability Karimov seeks to quell.

Very telling in this respect have been a series of scandals, leaked to the international press, involving the Russian and Swedish telecom companies MTS and Teliasonera. Uzbekistan's largest mobile phone provider, owned by MTS, was stripped in 2012 of its license, as a result of which millions of users were left without service and the company reportedly lost around \$1.08 billion. Later, the information was leaked to the press that MTS allegedly paid a bribe to Gulnara Karimova, the president's elder daughter, for a license to operate in the country. A similar bribery story was reported about Teliasonera, which paid \$30 million to Takilant, a murky offshore company owned by Gayane Avakyan, who is closely associated with the president's daughter. On the top of that, Swiss banks were ordered in 2012 to freeze hundreds of millions of Swiss francs in assets linked to an alleged Uzbekistan money laundering scam. Two Uzbek nationals also

closely associated with Gulnara Karimova were detained in Geneva by Swiss police in July 2012 in connection with this criminal case.

The name of Gulnara Karimova has been closely associated with all these corruption and money laundering scandals. Damage to the presidential family's reputation has created problems for the president in choosing his successor, as his daughter is thought to be a prime candidate. The crackdown on MTS has also strained the relationship between Uzbekistan and Russia. Moscow was also frustrated by Karimov's decision to withdraw Uzbekistan from the Collective Security Treaty Organization (CSTO), a regional political and military union playing an important role in President Putin's campaign for greater integration of post-Soviet states under the patronage of Russia. By distancing Uzbekistan from Moscow, Karimov is evidently signaling his intention to benefit economically and politically from Uzbekistan's advantageous geostrategic position: NATO and the United States face limited options in finding reliable transport corridors for the withdrawal of troops and military hardware from Afghanistan. With the intent of buying some of this military hardware from the United States, Britain and Germany, the regime in Uzbekistan adopted, at the beginning of 2013, a number of draconian measures to accumulate hard currency reserves. Extreme restrictions were imposed upon import operations, a sphere of economy that had been already overregulated. These measures were followed by new restrictions of the currency exchange markets, banning exchange operations in cash. Now those who want to buy foreign currency can do so only with a credit card, which can be used only outside the country and not for online transactions. These measures have threatened the livelihoods of thousands of small traders. The implications of these draconian measures for social stability remain to be seen.

History and Characteristics of Transformation

The current political regime in Uzbekistan can be described as oligarchic authoritarian, combining elements of formal-legal governance mechanisms with a clientelistic style of politics. Karimov's style of rule constantly plays different oligarchic groups within the government off one another. In this power game, the president positions himself as a supreme oligarchic referee seated above the internecine government rivalry.

There is a big difference between how the Karimov regime presents itself to the world and its actual policies, which often follow unwritten rules, priorities and taboos. The constitution mandates a separation of powers between the three branches of government, with both the president and the parliament elected by eligible voters. In reality, the regime does not allow any real alternatives to the candidates selected by the president's office. The Electoral Commission is totally controlled by the president's office and registers only those candidates who haven't been vetted by the presidential court. Opposition parties are banned and don't have their offices in the country. The regime cracked down on them at the beginning of 1990s; leaders and members were imprisoned, fled the country or kept a low profile. Freedom of association, assembly and press are almost nonexistent in Uzbekistan, making free and fair elections practically impossible. As a

result, the president and related oligarchic groups have accumulated unchecked power over all branches of state. The president combines his presidential powers with the position of the chair of the Cabinet of Ministers, thereby depriving the prime minister of any meaningful executive autonomy.

To address international criticism, the ruling regime has undertaken a few steps to give the impression that the governance system is undergoing reform. At the beginning of 2011, constitutional amendments were introduced granting the majority party in parliament the right to nominate the prime minister. Before, that right belonged to the president. However, this measure has by no means diminished the president's power, as all parties represented in the parliament are totally controlled by the president's office.

There has been speculation that Karimov is grooming his elder daughter Gulnara Karimova to succeed him as president. This scenario is not plausible even in light of a similar example in the case of Azerbaijan's President Ilham Aliyev, who assumed the presidency directly from his father Heydar Aliyev. Gulnara Karimova has reportedly assumed informal control over key lucrative sectors of the economy. Through the charitable activity of the Fond Forum, she tries to reach out to cultural elites and young people in hope of gaining a minimum level of legitimacy in the eyes of the population. However, her image has been significantly tarnished by the aforementioned scandals around MTS, Teliasonera and offshore companies she allegedly controls. These scandals have lifted the curtain on her murky business empire in Uzbekistan and her role in what appears to be a shadow state within the state. Her chances of succeeding her father are minimal. First, she must surpass several powerful figures thought to be in line for the presidency, including Prime Minister Shavkat Mirziyayev; Rustam Inoyatov, head of the National Security Service; Bahodir Matlubov, interior minister; and Vice Prime Minister Rustam Azimov. Second, Gulnara Karimova has no power base of her own or support from within the oligarchic groups; she can count on neither the Interior Ministry nor the National Security Service nor any other ministry to support her presidential ambitions.

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

Question
Score

In principle, the state's monopoly on the use of force is established nationwide. In practice, it is not the Weberian state that possesses this monopoly, but oligarchic groups (clans) held together by the supreme oligarch (the president). Law enforcement agencies and so-called power ministries have degenerated under the regime to economic enterprises holding the monopoly on the use of force. These economic enterprises function only as elongated arms of the oligarchic regime that forcefully extract profits from the middle class and suppress both free economic competition and political dissent. In the past, there have been reports of armed clashes between units of the Ministry of Internal Affairs and the National Security Service. Thus, after the departure of the current president, this oligarchic monopoly on the use of force could easily become fragmented all over the country and turn law enforcement agencies and power ministries into warring factions.

Monopoly on the
use of force

7

Major groups in society accept the official concept of the nation-state. All individuals and groups enjoy the right to acquire citizenship without discrimination: There are no restraints on granting Uzbek citizenship on the basis of race, gender, language, religion, national or social origin, property, place of birth or other status. In the past, however, there have been signs of resentment and separatist sentiment among some ethnic groups, for instance among Karakalpaks and Tajiks. The regime has discriminated against Uzbek citizens of Tajik origin, treating them with suspicion and accusing some of spying for neighboring Tajikistan. The Tajik language has been completely banned from public spaces in Samarqand and Bukhara, important historically Tajik-speaking cities of Central Asia, and today the language functions only in oral form. There are also signs of nostalgia for the Soviet past and loyalty to Russia among the Russian-speaking population, including ethnic Uzbeks.

State identity

7

Formally, the state is secular. Religious dogmas have no noteworthy 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. Other faiths (Russian Orthodoxy, Judaism, Protestantism and Catholicism) are tolerated because they are largely irrelevant to the regime. All other religious groups and missionaries are banned and suppressed.

No interference of religious dogmas
9

The administrative structures of the state provide most basic public services throughout the country, but often fail to deliver. The main reason for this failure is that local and regional authorities have insufficient financial resources at their disposal, although the national budget formally provides for state expenditure at the local and regional level. The budget process occurs in the Ministry of Finance in Tashkent only on paper, so local and regional authorities often have to outsource most of their functions to the private sector. In other words, local and regional authorities regularly squeeze local small and medium-sized businesses in order to extract “voluntary” expenditures needed to produce such public goods as garbage collection, sanitation, road and school construction, healthcare, etc. For this reason, many public services, including healthcare, education, gas and electricity, are in decline.

Basic administration
6

2 | Political Participation

The constitution provides for universal and equal suffrage in free, fair and periodic elections conducted by secret ballot. In fact, elections held at all levels of authority are neither free nor fair. The competitive nature of elections is entirely staged: Both “winners” and their “challengers” must undergo a process of careful pre-selection and approval by the regime and its agencies. No opposition parties are allowed, and there is no freedom of press.

Free and fair elections
1

The parliament and the president are not democratically elected. Parliament and presidential elections, held periodically every five years, are neither fair nor free. The current president’s term in office has far exceeded the maximum of two terms stipulated by the constitutional law. His presidency has been extended a number of times by using various legal tricks. From a constitutional point of view, the president is in office illegally.

Effective power to govern
2

The constitution formally guarantees all association and assembly rights. In practice, they are completely denied. Independent civic groups do not exist or are prohibited, and the regime criminalizes all forms of unsanctioned and officially unregistered associations, especially in the sphere of religion. The regime uses intimidation,

Association / assembly rights
2

harassment and threats of retaliation to prevent citizens from exercising their rights to association and assembly, often by arbitrarily arresting, detaining and imprisoning peaceful demonstrators or using excessive force, either by police and security services or provocateurs recruited from socially weak groups. Opposition parties, such as Birlik, Erk, Ozod Dehqonlar and Sunshine Uzbekistan, are either prohibited or systematically denied registration. Though it is technically possible to establish a new NGO, the process is excessively complicated and arduous. However, a few unregistered NGOs, and Ezgulik, the only legally registered human rights group, are still operating in the country. The cost they pay for that is periodic detention and imprisonment of some of their members. According to estimates by human rights organizations, there currently are about 30 nonreligious political prisoners and several thousand religious prisoners in the country.

Freedom of expression and freedom of press are almost totally restricted in the country. A number of journalists and writers have been imprisoned for their journalist activity, and a number of other journalists and writers have been forced to flee Uzbekistan and apply for asylum in other countries. 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 NGOs and media, with a very few exceptions, are denied accreditation to operate in the country.

Freedom of
expression

2

3 | Rule of Law

The separation of powers exists on paper only. The regime has repeatedly declared its commitment to building a state based on the rule of law and the necessary legislative changes have been in place since 1992. The constitution provides for separation of powers between a strong presidency and a bicameral parliament called the Oliy Majlis (Supreme Assembly) with the power to approve the budget. In practice, there are no institutionalized checks and balances, and no identifiable separation of powers. The president and his administration dominate the executive, legislative and judicial branches of government. An informal mechanism of checks and balances exists within the executive branch as the president encourages competition between different factions and officeholders as a means to maintain his own power.

Separation of
powers

2

The judiciary in Uzbekistan is constitutionally differentiated and independent from the executive. In reality, it is highly corrupted and vulnerable to executive pressure, especially from the president's office, the National Security Service and prosecutor's office. The judiciary serves as a conveyor belt for the regime. This is the case for the Court of Criminal Affairs (guided by the criminal code). The Court of Civil Affairs

Independent
judiciary

3

(guided by the civil code) is relatively more independent from the executive branch, but is still corrupt.

There has been an increasing number of officeholders arrested and prosecuted for alleged corruption. However, this prosecution is neither systematic and impartial nor is it a result of an anticorruption policy run by the Uzbek government and law enforcement agencies. In reality, it was the product of the power struggle between rival oligarchic groups. In 2013, shocking and well-grounded corruption allegations against the president's daughter, Gulnara Karimova, received international news coverage. No criminal investigation has been launched yet by the Prosecutor Office of Uzbekistan, in spite of press reports and the seizure of bank deposits belonging to people associated with Karimova.

Prosecution of
office abuse
2

Although guaranteed by the constitution, civil rights are heavily restricted and not observed by law enforcement agencies or the judiciary. 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 at the parliament's Legislative Chamber. In reality, they fail to protect human and civil rights.

Civil rights
2

4 | Stability of Democratic Institutions

Uzbekistan is an authoritarian state with an antidemocratic establishment. Its democratic institutions are merely a façade on an oligarchic regime. There are formal institutions in Uzbekistan – the parliament, electoral commission, press, etc. – that, according to the constitution are supposed to provide for democratic choice. However, they are totally defunct. Uzbekistan is one of the most authoritarian regimes in the world.

Performance of
democratic
institutions
1

Formal democratic institutions are propped up by the political leadership only to emulate democratic processes and are devoid of any adequate content. Civil and political freedom is almost nonexistent in Uzbekistan.

Commitment to
democratic
institutions
1

5 | Political and Social Integration

The parliament consists of two chambers: the legislative chamber and Senate. Only four parties are represented in the legislative chamber, and all of them are puppet parties and agents of the presidential administration with no independent views among their members. These are the Liberal-Democratic Party (53 seats); the National-Democratic Party (32 seats); the Millyi Tiklanish party (31 seats); and Adolat, the Social-Democratic party (19 seats). The parties and their platforms are of

Party system
1

virtually indistinguishable and are barely known to society. Consequently, they neither enjoy popularity nor do they have any significant social base.

Interest groups are present only in isolated social segments, and they tend not to cooperate with other interest-based organizations. A large number of social interests remain unrepresented. Informal networks within the political system represent only the interests of oligarchic groups. Clientelism is the main mechanism within the political machine, and all significant domestic actors are clients and supporters of the president and related oligarchic groups. The president tacitly encouraged the emergence of these patron-client networks, largely to ensure his control over competition for resources. Although the names of these groups are originally derived from regions such as Samarqand, Bukhara, Tashkent or Ferghana, they have lost strict affiliation to these regions. In the period under observation, the patron-client networks have consolidated around powerful departments, offices that control certain segments of the state and society. These networks create coalitions to counteract the influence of rival networks. These alliances, however, are quite fluid and may take on different configurations. All oligarchic groups compete with each other for influence over the president and jockey for more advantageous positions, anticipating the day the elderly Karimov leaves office.

Interest groups
2

Uzbekistan is an authoritarian state, providing no opportunity for measuring popular approval of democratic norms and procedures, which are not yet established in the country.

Approval of
democracy
n/a

Mutual trust and solidarity 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 clans and clan-like patron-client networks, unite people to promote their private or group interests vis-à-vis state-controlled resources.

Social capital
3

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. That said, the population, especially ethnic minorities, tend to associate more along the lines of common ethno-cultural membership or religious faith than on the basis of other civic commitments. This can be largely attributed to the patriarchal environments that dominate many segments of society.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic
barriers
3

Poverty and inequality are extensive and structurally ingrained. There is a lack of reliable statistics on Uzbekistan's poverty and inequality rates. Most of the available statistics are based on official data published by the State Committee for Statistics or data provided by government ministries. This data is heavily manipulated for propagandist purposes and understates the real scale of unemployment, poverty and inequality. The government does not even recognize the existence of poverty in the country and does not use this term at all in its official documents and public presentations. International financial institutions and global statistics-generating agencies are forced to use this distorted data in their indexes.

Remittances from Uzbek workers in Russia, Kazakhstan, South Korea, Turkey and other countries are keeping the Uzbek economy afloat. From Russia alone, remittances last year exceeded \$5 billion. Without these remittances, the scale of poverty in Uzbekistan would cause serious social tensions, as the current government's economic policies have failed to enable sustainable growth and the development of domestic job markets. In some key sectors of the economy, such as the cotton industry, the command economy persists in making these industries highly ineffective, preventing workers from generating sufficient means of subsistence.

Due to the lack of accountability and transparency in the management of resources, and due to bureaucratic restrictions and state-imposed monopolies and related corruption, the income gap between average citizens and oligarchic groups associated with the ruling regime has been constantly widening in recent years. The rural population is particularly disadvantaged. Rural children are systematically exploited in agricultural work. Also hard-hit are women, especially those whose husbands emigrated; Karakalpaks living in the environmental disaster zone; and people living in the provinces of Tashkent.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	32816.8	38981.6	45324.3	51112.7
GDP growth	%	8.1	8.5	8.3	8.2
Inflation (CPI)	%	-	-	-	-
Unemployment	%	-	-	-	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	2.6	4.2	3.1	-
Export growth	%	-3.9	6.6	20.5	-
Import growth	%	2.7	-4.1	26.3	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	11.0	10.0	9.1	8.6
External debt	\$ M	6936.9	7744.6	8382.1	-
Total debt service	\$ M	840.3	623.5	623.7	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	22.3	23.5	22.7	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.7	2.7	2.8	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Market competition is present only in small segments of the economy, although its institutional framework is formally developed. The informal sector is large. The market in Uzbekistan is a phenomenon peripheral to power. Rules for market participants are unreliable and frequently arbitrary, and there is heavy and often ad hoc intervention by the ruling regime. Different standards are applied to different categories of market actors. Elements of the command economy persist. Antitrust and antimonopoly policies are shams. The regime maintains control over the distribution of key resources, thereby undermining competition and other market mechanisms. The practice of bribery and extraction puts some businesses at a disadvantage compared to competitors run by influential clans and patron-client networks.

Some regulation to prevent monopolistic structures and conduct exists, but it is rarely enforced. The basics of antimonopoly legislation were set in 1992. In the same year, the State Committee for Demonopolization and Competition Development was created, and, in 2000, the government endorsed its independent status, supporting it

Market-based competition

2

Anti-monopoly policy

3

with a number of antimonopoly laws. However, the committee is not entitled to implement structural changes for the destruction of artificial sector monopolies created by the regime, nor does it have the right to conduct investigations and identify anticompetitive practices among enterprises.

Foreign trade is largely supervised and controlled by the ruling regime. The economy is extensively dissociated from the world market, which might have had some positive effects during the global economic crisis. During the review period, legal regulations and the government's informal activities have served to restrict foreign trade liberalization significantly. The government continues to interfere blatantly with free trade and enterprise, and it exercises strict control over payments, transactions and the transfer of funds, as well as the repatriation of profit. Foreign trade policy remains restrictive.

Effective rates of protection against consumer imports are high. The government imposes a heavy regulatory burden on individual entrepreneurs and petty trade business. The situation is further aggravated by the widespread practice of bribery and extortion by local government officials and tax and law enforcement agencies. Tax rates on a wide range of consumer imports are higher than on domestic goods. Other regulatory "behind-the-border" barriers to trade include the regulation of wholesale and retail trade, which affects the domestic marketing of imports. Export activity is restricted by requiring licenses and government approvals for most important commodities, such as cotton and chemicals. Additionally, the restrictive currency exchange regulation also discourages free foreign trade activity. Only foreign trade deals controlled by members of the ruling regime or by corporations owned by members of the presidential family are supported.

Banks are formally state-owned but, in fact, remain under the strong control of specific members of the ruling regime; there is no real capital market. The regime used the global financial crisis to strengthen its grip on the banking system. The regime was not really interested in forming a solid banking system, nor did it undertake efforts to create a capital market. The banks and other financial institutions perform functions that are inappropriate for financial intermediaries, such as tax collection and business oversight. The system of longer-term loans to small- and medium-sized enterprises is not stimulating economic activity. Rampant corruption and mismanagement, as well as the requirement that all transactions with enterprises must be settled on a non-cash basis, and the obligation that all businesses must deposit their earnings in a bank account on a daily basis, have also contributed to low public confidence in the banking system. It is common for private and commercial banks to experience interference from the regime via law enforcement agencies, which are entitled to invade the privacy of individual bank accounts under the pretext of security interests. Law enforcement agencies have also been used to crush those banks whose

Liberalization of
foreign trade

2

Banking system

2

owners did not agree to cede control over their bank to oligarchic groups associated with the president's family.

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. The bank itself is far from independent and goes along with the government's mercantilist, rent-seeking policy.

Anti-inflation /
forex policy
3

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. Foreign exchange policy is essentially used to enrich regime members and the president's close relatives.

At the end of 2003, local currency conversion was introduced but not really practiced. The free use and transfer of profits encounter political and administrative barriers. Local currency exchange rates were harmonized primarily through monetary measures, wage and pension arrears, blocking access to individual bank accounts, and the presence of artificial barriers between cash and bank transactions, all of which diminish the value of transactions.

Officially, the 2012 inflation rate was 7%. However, international financial institutions 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 12.9% and forecasting 10.7% for 2013.

The government's fiscal and debt policies are inconsistent and insufficient to promote macroeconomic stability. The government tried not to let debt, especially external debt, reach levels that pose a risk to the national economy. Despite this policy, external debt has increased to an estimated \$10.46 billion in 2012, up from an estimated \$8.54 billion in 2011. The government has had less success in managing external debt, which was officially 16% of GDP (31 Dec. 2013), slightly lower than in 2011 (17.5%).

Macrostability
4

Public debt is being addressed mainly by cutting public expenditures and raising utility bills, taxes and prices controlled by the government. Even these fiscal measures did not alleviate the situation, and the central bank was yet again prompted by the government to infuse money into the banking system, which resulted in a new wave of hyperinflation. Indications of the strains on the budget and overall financial system are rising interest rates and the widening gap between official and black market currency exchange rates. In May 2013, the official exchange rate was 2066 Uzbek som per dollar, whereas in the black market one dollar cost 2800 – 2900 Uzbek

som. This gap between official and unofficial exchange rates creates 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.

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. Property rights are not adequately safeguarded against arbitrary intervention by members of the ruling regime. Cases of private property expropriation by government entities are quite frequent, and such actions benefit members of the regime and the president's family. Although private companies can, in principle, act freely, they encounter huge economic, political and social barriers to development. This is especially true of the agricultural sector, in which so-called private farmers are treated as serfs or peasants. The state dictates to them what crops they can plant, to whom they will sell their produce, and at what price.

Property rights
3

State companies and monopolies built up by regime members and related oligarchic groups dominate all strategic business sectors. 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 2013, Uzbekistan was ranked 154th out of 185 economies in the Ease of Doing Business Index of the International Finance Cooperation (IFC). According to the IFC, it takes 12 days (2010: 15 days) to start a business in Uzbekistan. But all other data show a worsening situation: The IFC assessed trading across the border very negatively (rank 185, down from 169 in 2010), along with paying taxes (rank 161, down from 154 in 2010), dealing with construction permits (rank 152, down from 145 in 2010) and enforcing contracts (rank 46, down from 44 in 2010).

Private enterprise
3

State agencies often arbitrarily interfere in private companies' affairs and force them to pay various informal duties for charitable purposes, for instance for local football clubs, architectural restoration, music festivals and other projects. Each autumn, many private companies are subject to compulsory mobilization of their staff for the cotton harvest without any compensation. Corrupt local government and law enforcement agencies often extort bribes and informal duties from local entrepreneurs.

10 | Welfare Regime

Social networks are developed only partially and do not cover all risks for all segments of the population. Considerable portions of the population are still at risk of poverty. The system of social protection fails to provide for even basic needs. State salaries and pensions are below actual subsistence levels and are not always paid in full. If the pensioner is continuing to work for a salary, then one half of her pension is withheld by the authorities. Since December 2010, the government has been cutting the pensions of people who worked in ecologically hazardous zones and were entitled to payments in addition to their standard pensions. The government has also abolished subsidies to some categories of the disabled. Local authorities frequently compel pensioners to spend part of their pensions on lottery tickets and subscriptions to government newspapers. For the last four years, pensions have begun to be paid into pensioners' debit card accounts. This method of payment was imposed by the authorities in order to squeeze the amount of cash circulated in the market and redirect cash flows to stores owned by regime members and their affiliates. The cards are not accepted in many retail facilities, especially bazaars, and cashing in the debit cards is also difficult because cash machines are not supplied with sufficient cash.

The system of voluntary insurance against illness, unemployment and disability is in its nascent phase. There is no mandatory public insurance and no effective security against unemployment; indeed, social protection systems exist on paper only. The government and its labor agencies artificially suppress unemployment statistics, reporting unemployment rates below 1%. However, independent survey data suggest that unemployment is at least 20%. But taking into account underemployment, when a job is available but at very low remuneration, the rate may be as high as 45%. Unemployment pressures have been partly mitigated by massive labor emigration, mainly to the relatively wealthier states of Russia and Kazakhstan. Uzbekistanis account for the biggest population of labor immigrants in these two countries. Remittances sent back to Uzbekistan amounted to \$6.241 billion in 2012, up more than 30% over 2011, according to Russia's central bank. This huge cash inflow has probably played the leading role in revitalizing the economy and creating new domestic jobs. The government evidently benefits a great deal from this export of labor, though it doesn't contribute to it in terms of addressing the problems associated with the process of emigration, such as massive abuses of migrants' rights by Russian police, criminals and racist groups. The period of work in other countries is withheld from the number of years of employment that make people eligible for state pensions.

Everyone, except orphans and the disabled, must pay for health services. Only state-owned enterprises pay childcare allowances. The allowances provided for poor families with children are now limited to children up to 14 years old, as opposed to 18 years before the cuts.

Social safety nets

4

There are institutions to compensate for gross social differences, but they are limited in scope and quality.

Equal opportunity
4

Rural youth have fewer opportunities, in comparison with those living in big cities, to acquire a decent education. Some ethnic minorities, especially the Tajik population, are restricted to being educated in their own language.

Girls and young women have de jure and de facto equal rights to education and often exercise these rights. But after graduating from colleges and universities and getting married, it is very common that they are urged to stay home and look after the household and their children. The patriarchal norms and values reinforced by state propaganda and some policies are offsetting the effect of women rights as these are embodied in legislation and declared by the Uzbek government. There are no really functional mechanisms that would ensure equal opportunities of employment in state institutions or guarantee equal access to public services. The lack of financial or social capital (i.e., social networks) among women, the disabled, socially vulnerable groups and some ethnic minorities, constitutes the main barrier to expanding their equal access to public services. The government is not willing to introduce appropriate measures and mechanisms that would support these groups. Lesbian, gay, bisexual and transgendered (LGBT) persons are widely discriminated against, severely criminalized, and subjected to harassment by police and security forces.

11 | Economic Performance

According to the government, economic activity grew significantly in 2011 and 2012 and GDP grew by more than 8% each year. The forecast of the Asian Development Bank (ADB) for 2013 was 7.9%. These claims, however, are not supported by indirect indicators such as living standards and unemployment that cause massive labor migration to Russia (approximately 2.75 million annually).

Output strength
4

Uzbekistan is experiencing growth without prosperity for the entire population. Partly, this economic growth can be attributed to the aforementioned remittances from labor migrants working in Russia, as well as the hike in world prices for Uzbekistan's major exports: gas, gold, cotton and uranium. Export of hydrocarbons, primarily natural gas, provided about 35.3% of Uzbek exports and reached \$5.03 billion in 2012. In 2011, Uzbek authorities made a record-breaking profit from cotton sales, which, according to independent experts, reached over \$1.4 billion. Uzbekistan is the world's ninth-largest gold producer, with a production of 90 tons in 2012. Prices for gold increased during the last five years by 67.60%. Uzbekistan is the world's fifth-largest producer of uranium, which is entirely exported (2.200 tons annually; Uranium Oxide Price \$89,287/t – May 2013). Prices for wheat, one of the main import commodities, also increased during the period under observation. The fact that internal prices for wheat, natural gas, petrol, utilities and public transport service saw

significant increases in 2011 – 2012, along with the increase of taxes, indicates the strains and the lack of revenues that the state budget experienced in 2012.

Apart from the growth fuelled by world market prices, there has been almost no success in terms of production and productivity growth. High figures of economic growth normally would indicate the overheating of the national economy, but nothing suggests that this is happening in Uzbekistan.

Domestic production remained unhealthy. There is a high inflation rate, but it is driven mainly by the mismatch between low domestic productivity and the amount of money released by the central bank and cash circulated in the market. This is combined with tremendous unemployment, which is partly concealed by labor emigration. This is why strict fiscal policy remained tight and the government preferred to eschew external borrowing. Cash shortages were a problem during the period under review, especially for the private sector. Regulations imposed restrictions on cash in circulation to contain inflation and curb the activities of the informal economy.

All in all, the climate for private internal and direct foreign investments remained very unfavorable. Internal investments have been sluggish for the following reasons: devastating taxation, open and hidden; overly strict administrative control and extortion; and weak rule of law. Major internal investments have been provided by the government, which controls most monetary resources, and by government-controlled corporations whose style of management remains old-fashioned. Foreign investments also were sluggish for almost the same reasons: the unpredictability and opacity of the national regulatory system, corruption and the weak rule of law, and an absence of genuine currency convertibility. Those foreign companies that invested in domestic production have suffered from the inability to convert and export their incomes.

12 | Sustainability

Environmentally compatible growth receives only sporadic consideration and has almost no institutional framework. In the 2012 Environmental Performance Index, Uzbekistan ranked 130th out of 132 countries (in 2010, its rank was 144th out of 163 countries).

Air and water pollution, soil erosion, desertification and the shrinking Aral Sea are the country's main problems. The government has tried to strengthen the institutional framework aimed at protecting the environment. In 2007, nature reserves constituted 5.5% of the country's total area. However, given the difficult financial situation, many people plunder and poach plant and animal life in Uzbekistan. The situation is aggravated by rampant corruption of local administration and law enforcement

Environmental
policy
3

agencies, which make rangers who protect nature reserves vulnerable to criminal poachers.

Environmental awareness is basically nonexistent in Uzbekistani society. Even parks in major cities have been subject to cases of unauthorized tree-felling for economic gain. Punishments for the violation of environmental legislation are seldom enforced. Civil society is not eager to raise the issue of environmental protection. The government is ostensibly supporting environmental NGOs and has even allocated a quota in the parliament for them. But this was done for political reasons: to use local environmentalists to win over international opinion in Uzbekistan's dispute with Tajikistan over the construction of the Roghun hydroelectric station.

Education in Uzbekistan is run by the state under the direct and strict administrative control of the Ministry of General Education and the Ministry of Higher and Specialized Education. Although private educational institutions are legally possible, in practice any private initiatives to create schools independent from state control are subject to suspicion and closed down. Education is becoming increasingly commercialized through constant tuition and fee hikes.

The government invests heavily in the education system. The rates are above the OECD average of 5.1% (2011: approximately 9.4% of GDP). But the bulk of these investments goes to capital construction of new buildings, with the beneficiaries found mainly among those officials who represent the interests of construction companies. A very low share of funds goes to research, maintaining the library system, purchasing literature and improving the remuneration of the faculty, who then extort bribes from their students. It is very common for students to get higher grades in exchange for bribes to their tutors and university administrators. At the bachelor's level, 69% of students study on a fee basis (individual contract), and 75% of students study on a fee basis at the master's level.

The share of government-funded scholarships for students in the field of higher education is falling dramatically. Since the dissolution of the Soviet Union, Uzbekistan no longer receives many professional journals or literature, which are only available now for hard currency. The sharp fall in importing foreign literature has not been compensated for with the development of a domestic publishing industry. That industry is, like the country's academic and public libraries, in very poor condition in comparison with those of other post-Soviet states, particularly Russia and Kazakhstan. The Uzbek government has been suspicious of international agencies and organizations that have tried to import educational literature into Uzbekistan in both printed and digital formats – for instance, through subscriptions to EBSCO and other international digital resources and databases – and provide opportunities to study at Western universities. The government scrapped its own Umid program, which supported the study of Uzbek students abroad. As a result, the

Education policy /
R&D
4

educational system in Uzbekistan remains one of most isolated in the world in terms of academic, scientific and research institutions and networks.

Two factors affected the content and quality of education most profoundly in the period under review: the lack of access to information and literature and the state's ideological control of the curriculum. As in Soviet times, part of the curriculum is dictated by state ideology. Reading and memorizing President Karimov's books is mandatory. The methods of tuition remain old-fashioned and authoritarian, encouraging rote memorization instead of independent and creative thinking. Free discussion in academic classes is very rare. The government has scrapped all programs on critical thinking that used to be promoted by international agencies and organizations. Schoolchildren from rural areas and small towns are removed from school each year to help weed the cotton crops in the spring and later with the cotton harvest for a total of up to three months, which disrupts their academic process. This also serves to exacerbate disparities between rural and urban children in their access to education.

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.

Transformation Management

I. Level of Difficulty

The structural constraints on governance are high. Key structural problems include an extremely disadvantageous geographical location in terms of foreign trade opportunities (Uzbekistan is a doubly landlocked country and, along with Liechtenstein, is one of only two such countries in the world); 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. The government's ruinous and exploitative social and economic policies have brought about other structural constraints such as poverty, skilled workforce decline and emigration, severe infrastructural deficiencies and high rates of drug-resistant forms of tuberculosis and HIV-infection.

Structural
constraints

7

During the late Soviet period, Uzbekistan became a regional leader in terms of science and research capacities. A number of research and academic institutes of mathematics, physics, chemistry and biology emerged. All of these are in ruins, with an army of well-educated specialists finding themselves working menial jobs in Russia and Kazakhstan, or engaged in retailing or service industries domestically. De-qualification of the labor force has become part of a creeping process of reverse modernization, with Uzbekistani society slipping back into semi-feudal social norms, customs and lifestyles.

Another serious problem is the persistence of the high birth rate (2012: 17.33 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 without prospects of acquiring a decent job. Existing economic policies are not sufficiently favorable for small- and medium-sized enterprises that would otherwise absorb this labor surplus. At the same time, the conservative leadership's enforcement of patriarchal values and social norms is unhelpful for promoting more rational family planning.

Traditions of civil society are fairly weak. Its basic elements emerged in the late 1980s and early 1990s, but for political reasons have failed to develop. Since 2004, civil society has been subjected to considerable pressure from the authorities, who

Civil society
traditions

8

regard NGOs as subversive organizations and instruments used by the West to encourage “color” revolutions.

Due to their limited personnel and reliance on foreign grants, NGOs failed to root themselves firmly in society during the more or less favorable period from the mid-1990s until 2003. In some instances, NGOs worked for themselves: They served the interests of a rather small and unchanging group of individuals, often comprised of former Komsomol and Communist Party hacks who still may represent Soviet-style political culture. The NGO sector has turned into a kind of job market for elite groups of administrators and social entrepreneurs, thus failing to overcome distrust in society.

A traditional institution, such as the “mahalla,” with its family, kin, neighbor and other informal connections, could have potentially become a basis for civil society, but was instead integrated into the state apparatus and crafted into an instrument of surveillance and social and political control over the population. The intelligentsia, which could potentially spark civil society activities, leads a marginal existence as a consequence of the dire economic situation and a tendency toward conformism. It has turned into a kind of new poor, having once belonged to the Soviet-style middle class.

There are deep divisions within society and the political elite along local, regional and social lines. The two axes of polarization are found between the center and the periphery as well as between the extremely rich and the desperately poor.

Conflict intensity
5

Religious conflict is extremely improbable, due both to the country’s atheistic past and high degree of denominational homogeneity. The regime’s repression of nonviolent Islamic activists and members of the Hizb-ut-Tahrir al-Islami party (also nonviolent) caused deep grievances and may lead to violent social conflicts, but not religious ones. The main bone of contention between the regime and religious opposition groups is not only Islam or its theological interpretations, but rather the country’s acute social, economic and political problems.

The regime has suppressed, but not resolved, ethnic conflicts that flared up in the late 1980s and early 1990s between different ethnic groups in the Ferghana Valley. The risk of ethnic conflict has increased as a reaction to the abuses of ethnic minority rights in southern Kyrgyzstan. To reduce this risk, intensive cooperation between Uzbekistan, Kyrgyzstan and Tajikistan would be required. Uzbekistan itself needs to revisit the issue of minority rights, especially with regard to the situation in Karakalpakstan, where social grievances among the local population may take the form of a revolt against the Uzbek domination of the state and local resources.

II. Management 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 remains empty declarations, while in reality the government pursues short-term priorities often contradicting each other. There are no independent think tanks or academic institutions that can speak out and critically assess the current situation in the country, its governance and most pressing issues, and offer strategic vision and solutions. The decision-making process is highly opaque and often depends on the president's moods. In other cases, decision-making is interfered with by vested interests of oligarchic groups, not least by the president's politically ambitious daughter, Gulnara Karimova.

Another set of quasi-strategies has been the government's attempts to concentrate each year on one particular program goal or social priority. These one-year programs, such as the "Year of Prosperity and Well-being" (2013), the "Year of Family" (2012), the "Year of Small Business and Enterprise" (2011), the "Year of the Harmoniously Developed Generation" (2010), the "Year of Rural Improvement and Development," the "Year of Youth" (2008), the "Year of Social Protection" (2007), the "Year of Charity and Medical Workers" (2006), the "Year of Health" (2005), and the "Year of Kindness and Mercy" (2004), though accompanied by some legislative initiatives and activities, have largely been propagandist campaigns aimed at demonstrating that the government cares about social issues and concerns. Each of these programs were discontinued at the end of the designated year and quickly forgotten.

As a rule, the government fails to implement most of its publicly aired policies. As an example, it declares support for private enterprise, but in reality often restrict and undermines it by the practice of extortion, arbitrary interference and requisitions. Or it declares the policy of attracting foreign investors, but in reality influential officials often put before investors the choice: bribe these officials or lose one's own business or lucrative licenses. The telling and most recent examples are Russian and Swedish telecom companies MTS and Teliasonera, which allegedly paid bribes for doing business in Uzbekistan. The regime only imitates reform activity (mainly for propagandist purposes), but is deeply committed to the preservation of the status quo rather than to social, economic and institutional change.

There are no independent think tanks and academic institutions that would critically review existing policies or analyze problems the government faces and the mistakes it makes. Criticism and independent thinking, as a precondition of policy learning, is

Question
Score

Prioritization
2

Implementation
2

Policy learning
1

not only discouraged, but even punished. The political leadership in Uzbekistan is portrayed as faultless; for this reason, monitoring and evaluation practices are not encouraged as they may identify mistakes and faults in existing policies and thereby undermine the leadership's authority. To an equal extent, the political leadership dismisses knowledge exchange with international institutions. The expertise provided by international experts is accepted only in very specific areas, and they are allowed to work on improving primarily technical aspects of functioning institutions. Thus, strategic thinking is the exclusive prerogative of the president and his narrow circle of advisers.

15 | Resource Efficiency

The Uzbek government's management of available resources is very inefficient. The regime wastes all available human, financial and organizational resources. Most resources are controlled by oligarchic groups and serve their interests rather than those of society. The regime has created an economy subservient to power. Unless they are supported by patron-client networks, newcomers cannot access the country's resources, which are controlled by oligarchic groups within the regime. This severely reduces the development capacity of the economic system. The regime pursues a "constant pie orientation" policy in which power groups in the central and regional governments have secured a constant set of benefits for themselves and are not interested in increasing economic or other resources.

Efficient use of
assets

2

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 ratio of value added product in the GDP remains low, due to the failure to create a favorable institutional environment for private business, investments and fair market competition. The government still relies on the accumulation of export revenues in its own hands and prefers to act as a chief investor, which is akin to the old Soviet system of top-down economic planning.

However, unlike Soviet times, the Karimov regime is deficient in appropriate human resources to tackle short-, mid- and long-term challenges. It does not have competent policies in the sphere of human resources and has not yet established competitive recruiting procedures. Frequent dismissals of public officeholders without clear explanation of the reasons behind these decisions suggest that many of them are driven by competition between different oligarchic groups within and around the regime, and patron-client considerations.

The regime often fails to coordinate between conflicting objectives or interests. Different parts of the government tend to compete with each other, and some policies have counter-productive effects on other policies. A high degree of weakness in conflict regulation characterizes the Karimov regime. In his interaction with

Policy
coordination

2

oligarchic groups, the president is both a supreme oligarchic player and a referee. His power is vast, but it is limited by the need to maneuver between influencing oligarchic groups and maintaining a balance between them, as a peculiar kind of check-and-balance system he nurtured within the executive branch of government exclusively for the sake of maintaining his own grip on power. The president's divide-and-conquer philosophy prevents the government from achieving better coordination in pursuing policies and concentrating on longer-term priorities that require a complex approach. The president cannot claim that he has a united team; his team is a deeply divided group of officeholders, and this is a natural outcome of his governance style.

Every politically important and resource-distributing state office is seen as a financial instrument and is therefore controlled by oligarchic groups. The regime does 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 replace one office abuser with another. Government-controlled media prefer not to discuss the topic of corruption within government agencies. Fighting corruption is only an instrument in the hands of the president, used for intimidating the noncompliant. Prosecutors and courts only consider corruption charges when accusations of corruption – following the leadership's instructions – are brought against officials who have fallen out of favor with the head of state and forced to retire, or independent journalists and human rights activists for allegedly extorting bribes.

The regime is not willing to create an institutional requirement that would limit the scale of corruption in the country. It has not yet adopted a rule on conflicts of interest or a transparent public procurement system. 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.

The regime has imposed too many restrictions and bans in the economic sphere, forcing economic actors to resort to informal and illegal transactions, for instance, in the sphere of currency exchange. These restrictions only create a chain of corruption that can be traced to the top of the state. The available evidence suggests that large-scale corruption deals are systematic and an integral part of the regime. Despite many instances of bribery and money laundering that have been disclosed in the Western press, the Office of General Prosecutor hasn't even opened a criminal case to investigate allegations against Gulnara Karimova, who is suspected of extorting bribes from MTS and Teliasonera, and of money laundering through offshore companies and Swiss banks.

16 | Consensus-Building

There are no major political actors who want to establish democracy and a market economy. Uzbekistan is an authoritarian state with no freedom of expression,

Anti-corruption
policy

2

Consensus on goals

2

association or assembly. Political opposition is not allowed in the country. A few token political parties are represented in the parliament, but all power is concentrated in the hands of the president and law enforcement agencies, which are in a direct subordination to him. The president himself and his milieu are obviously against democracy and do everything in their power to prevent its establishment in the country. The government has declared a course toward market economy, but in practice creates many bureaucratic restrictions that make the economy only partially driven by the market rules.

However, the nascent business class and some parts of the banking sector will definitely be interested in a more stable and transparent institutional system, with much clearer rules of the game. It may take advantage of the period of political thaw that is inevitable, as soon as President Karimov is gone, to promote a new generation of politicians determined to change the political and governance system more substantially.

Reformers have no control over antidemocratic actors. The major opponent to democracy in Uzbekistan is its president and his milieu. Some militant Islamists operating underground are also opposing democratic principles of governance. 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 antidemocratic actors. The organized political opposition, weak and disorganized, is operating outside of the country. Hope for democracy could emerge from the grassroots level if citizens rise in rebellion against the corrupt regime, as took place in Tunisia. Such an uprising might prompt pro-reform actors to mobilize themselves and create a united democratic front.

The regime has not yet faced serious cleavages in society along social, religious and ethnic lines. The regime is trying to scaremonger the society and the international community by exaggerating the Islamic threat, but it does this mainly for populist and political purposes, to justify its hold on power. The regime is also trying to drum up spy paranoia against neighboring Tajikistan, implying that local Tajiks are Tajikistan's secret agents. But these attempts have not yet succeeded in triggering Uzbek ethno-nationalism.

The political leadership obstructs civil society participation. It suppresses civil society organizations and excludes its representatives from the policy process. 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. More than 200 NGOs were forcibly closed down in the period between 2004 and 2007. Only very few NGOs remain active in the country. The registration of new NGOs is almost impossible, and the government criminalizes all unregistered civil society associations. The third sector is dominated now by GONGOs (government organized

Anti-democratic
actors

2

Cleavage /
conflict
management

3

Civil society
participation

1

NGOs), which are indeed periodically invited to various meetings at local and top levels. But these organizations shouldn't be confused with the genuine civil society.

The political leadership manipulates memories of historical injustice as a weapon against political opponents. In post-Soviet Uzbekistan, major injustice was done to the protesters in Andijan in May 2005. According to independent sources, more than 1000 people were massacred on May 13 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. Many of them were separated from family members who left home. The government prevents them from reuniting by blocking the refugees' close relatives from leaving the country. The government rejected calls for an independent international investigation into the events. The injustice done to these people is yet to be addressed.

Reconciliation

1

17 | International Cooperation

The ruling regime misuses international assistance for short-term expediencies or rent-seeking. There is no viable long-term development strategy. The regime does not have a clear and comprehensive program of development and cooperation with international agencies and organizations. It accepts international assistance very selectively, embracing cooperation with some international (mainly U.N.) agencies, and rejecting cooperation with others. For instance, UNHCR was expelled from the country after it facilitated asylum applications by Andijan refugees.

Effective use of support

2

Since 2004, a large number of international NGOs were also deprived of their accreditation in the country and the right to operate there. A telling example is the imprisonment in 2008 of the HIV/AIDS outreach worker Maksim Popov, who had been closely working with a number of international agencies providing aid and technical assistance in tackling HIV-related issues.

In spite of years of cooperation with international organizations in the field of maternity health and family planning, in 2011 the government again returned to the old practice of forced sterilization of women. International agencies that operate in the country often experience political pressure from the government, which wants them to keep silent on various human rights issues, as happened with UNICEF when it tried to address the issue of forced child labor.

The ruling regime has demonstrated a very unstable foreign policy, periodically changing its geo-strategic alliances with this or that global and regional power and always putting short-term priorities and mercantile interests before long-term goals. An example of this short-sightedness was when President Karimov expelled the U.S. airbase K-2 in Khanabad in 2005 and embraced membership in the Moscow-

Credibility

2

controlled CSTO. The period of 2009 – 2012 witnessed a u-turn in Uzbekistan's geo-strategic alliances. But the rapprochement with the United States and NATO is based not on common values and strategic goals, but rather upon mercantile calculations: the regime wants to benefit – financially and in the receipt of military equipment – from U.S. and NATO withdrawal from Afghanistan.

On the regional level, Uzbekistan acts very selectively and eschews cooperation, dialogue and the spirit of mutual trust. The most recent conflict around the Sokh enclave demonstrated how far the tension between Uzbekistan and Kyrgyzstan has reached and how both sides have been incapable of solving border and territory issues. There have been no ongoing consultations or negotiations on the issue of enclaves, and, as a result, both parties have been taken by surprise by conflict between the communities living on both sides of the border.

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 risk and could lead to a water shortage for Uzbekistani agriculture. But the Uzbek leadership ignores 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 supply 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 Uzbek government has tried to mobilize international public opinion in order to isolate Tajikistan and condemn its construction plans. This conflict remains heated because the Uzbek government dismisses the idea of a dialogue with Tajikistan on political, diplomatic and expert levels.

Regional
cooperation

3

Strategic Outlook

The ongoing crises in the political system and economy of Uzbekistan are taking the country to the brink of political catastrophe. The social tension within the country has been mitigated so far mainly thanks to the growing scale of labor migrants leaving the country for Russia and Kazakhstan in search of work. Out-migration absorbs excessive labor while remittances keep the economy afloat. Under these circumstances, the Karimov regime acts as a free rider, benefiting enormously from labor migration while doing nothing to mitigate the side effects of this phenomenon. By restrictive and punitive actions targeting the small traders and their businesses, the regime is pushing more people to join the ranks of labor migrants. The main side effect of this policy is the atrophy of internal institutions and the paralysis of the political will for reform.

At a certain point, the labor migration will stop letting off steam, thereby stoking people's discontent with the regime. To avoid social explosion and prevent the protest movements from spilling into the streets, as happened in Arab countries in 2011, the regime should immediately resume reforms in all sectors of state, economy and society. The regime is taking no meaningful steps toward this end.

What is needed, first of all, is to strengthen the rule of law. This will entail reforms to make the judiciary genuinely independent from the executive government. Secondly, measures need to be taken to hold law enforcement agencies accountable to the society and make them ruled by law, not by political office. In turn, all these measures would not be sustainable unless followed by democratization of the political system; the lifting of restrictions of freedom of press, association and assembly; and the reform of the electoral system. To curb corruption, the government needs to adopt conflict of interest rules, and implement a transparent and competitive system of selection and appointment of officeholders.

In 2008, the European Commission launched the Rule of Law Initiative for Central Asia, aiming to provide training for local judiciary and law enforcement practitioners, and assist national governments in the region to improve criminal law and procedures. What is needed beyond that is to pay attention to the gap between the law and real practices in the legal sphere. There is a big gap between Uzbekistan's international commitments, especially in the sphere of human rights, and constitutional norms, on the one hand, and Uzbekistan's practical reality. Another acute problem is the priority given to by-laws adopted by ministries over laws and the constitution. This abnormal ordering of priorities reflects the supremacy of executive government over the parliament and judiciary.