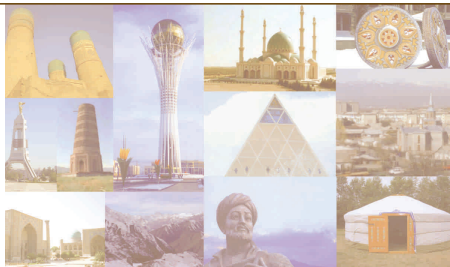


# CENTRAL ASIA OBSERVATORY

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CASA ASIA



UZBEKISTAN



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## Highlights

The beginning of the year was quite dynamic in terms of overall domestic and foreign activities. But these activities bore more a routine character. At the same time the role of Afghanistan in domestic and foreign affairs began to acquire special importance now that the Northern Distribution Network (NDN) has begun functioning.

## Internal affairs

On 9 January a new draft law “On family entrepreneurship” was adopted by the Oliy Majlis (parliament) to stimulate family entrepreneurship in different spheres of economy and thereby create new working places. The law takes into account that family entrepreneurship is rooted in national traditions of doing business. More specifically, this law implies that family entrepreneurship is considered as a specific form of economic activity and that such business structures will be provided with tax privileges. It also provides for other forms of economic stimulation of family entrepreneurship.

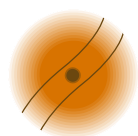
The President of Uzbekistan and commander in chief of the military forces Islam Karimov congratulated the military servicemen on the occasion of the 20th anniversary of the Military Forces of the country and the Day of Defenders of the Fatherland which was celebrated on 14 January. Interestingly, in his holiday address to the military he pointed out that due to its geopolitical and geostrategic significance and huge reserves of mineral and natural resources, the region of Central Asia has in recent years become an object of intent attention and intersection of strategic interests of major powers. He highlighted over 30 years of lasting tension, opposition and war in Afghanistan. He emphasized that the announced

withdrawal of American and ISAF forces from Afghanistan by 2014 could increase the threat of a spillover of terrorist and extremist activity and tension and confrontation in this vast region as well as representing a permanent source of instability in Uzbekistan. This reflects the serious concerns of the Uzbek leadership relative to the post-2014 situation in Afghanistan.

On 25 January President Karimov signed a resolution “On optimization of the management personnel number of the republican state power structures”. According to this resolution the ultimate size of the personnel of central republican and provincial state management bodies is to be reduced by 5%, from 21,202 to 20,049 people. This restructuring corresponds to a redistribution of functional duties. The released employees will be provided with new jobs.

President Karimov signed a decree on 27 February approving a state programme, “the Year of Family”. The state programme envisages improving current legislation in this sphere; legal and social protection, providing young families with broad material and moral support including the provision of comfortable apartments and necessary privileges and preferences; strengthening the role of ‘mahalla’ (self-ruling neighbourhood system) in society and everyday life in affairs related to problems of families and education of children; improving the system of family healthcare; increasing the role of the family in the development of the moral and spiritual foundations of the society and national values; strengthening the role of the family in the education of a physically healthy, spiritually mature and harmoniously developed generation and, for this purpose, strengthening the mechanism of practical interaction and cooperation of the institute of the family with educational institutions.

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## Foreign and international policy

On 13 January President Karimov appointed Abdulaziz Kamilov minister of foreign affairs. Before this appointment Kamilov occupied the post of the first deputy minister at the foreign affairs ministry. However, he had already headed the foreign ministry in the period 1994-2003. From 2003 to 2010 he was Uzbekistan's Ambassador to the United States. He replaced Elyor Ganiyev who was reappointed minister of foreign economic relations, investments and trade, a post he occupied from 2006-2010.

Kamilov's reappointment as foreign affairs minister caused allegations concerning the reasons for this decision. Some people think Kamilov can bring more order and impetus to Uzbekistan's foreign policy. Others believe he can use his experience as a diplomat and draw on his expertise in Middle East issues at a time when the so-called Arab spring events are spreading. Still others argue that as a former Uzbek Ambassador in America, Kamilov will be better placed to promote US-Uzbekistan relations. Finally, it is also believed that this appointment is in fact part of the broader process of restructuring and re-staffing state power bodies, reflecting an upcoming change in the political system closer to 2014 when the Presidential term will end.

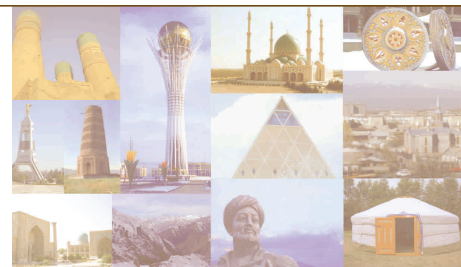
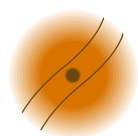
On 20 January the newly appointed head of the EU delegation in Uzbekistan, Ambassador Norbert Justen, presented his credentials at Uzbekistan's foreign affairs ministry. This had been made possible in the wake of last year's visit by President Karimov to Brussels and his meeting with the head of the EU Commission Jose Manuel Barroso. Overall, then, Uzbekistan-EU relations are expected to gain new impetus. This also symbolized a new political achievement for Uzbekistan vis-à-vis its European thrust, albeit one that can broadly be ascribed to Uzbekistan's importance in terms of the EU's ongoing Afghan campaign.

On 6 February the EU's special representative for Central Asia Pierre Morel visited Tashkent. The visit included meetings at the foreign affairs ministry along with other ministries and agencies of Uzbekistan, during which the sides discussed the current state and perspectives of relations between Uzbekistan and the European Union. This visit was part of a larger framework forum – "EU-Central Asia" – in which the foreign affairs ministers of all the Central Asian states and the Hungarian foreign minister Yanosh Martoni, the EU Commissioner on development issues Andris Piebalgs and Mr. Pierre Morel took part. In this meeting the sides discussed the overall realization of the EU Central Asian Strategy as well as trade and economic cooperation and regional issues in the spheres of energy, environment, water management, border security and drug traffic. During the visit some amendments were made in the Partnership and Cooperation Agreement between Uzbekistan and the EU.

On 28 February Britain's defence minister Philipp Hammond and President Karimov discussed the state of the Uzbek-British relations as well as regional security in Central Asia, the situation in Afghanistan and bilateral military and military-technical cooperation. No doubt the central issue at these meetings was the withdrawal of NATO troops from Afghanistan in 2014. Now that the Northern Distribution Network (NDN) has started to function, it is expected that EU military representatives will visit Uzbekistan to coordinate the withdrawal of their troops via this network.

## Economy and business enterprise

On 19 January a meeting of cabinet ministers took place in Tashkent to discuss the results of social-economic development in 2011 and priorities of sustainable economic development in 2012. In his speech, President Karimov noted that thanks to the implementation of the "Uzbek model" of development and the concept of further deepening democratic reforms and the formation of the civil society, high



growth rates and a macro-economic balance were guaranteed in 2011.

The GDP growth rate was 8.3%, the increase of industrial production 6.3% and agricultural production growth 6.6%. According to the report, in 2011, the so-called “Year of Small Business and Entrepreneurship”, small businesses contributed 54% of the country’s GDP.

On 16 January the government of Uzbekistan announced its plan to attract \$3.2 billion in foreign investment in 2012. According to the “Investment programme of the Republic of Uzbekistan for 2012”, 144 investment projects have been envisioned for implementation. In particular, \$900.7 million will be attracted in the form of foreign credits under government guarantee for 47 projects and \$2.297 billion as foreign direct investments for 97 projects. In this respect, the biggest slice –\$2.179 billion– will be earmarked for 43 projects in the energy sector. The oil and gas sector will receive \$1.894 billion of foreign direct investments for 34 projects.

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