

UZBEKISTAN



Polity: Presidential (dominant party)

Economy: Statist

Population: 24,800,000

GNP per capita at PPP \$ (1999): 2,092

Capital: Tashkent

Ethnic Groups: Uzbek (80 percent), Russian (5.5 percent), Tajik (5 percent), Kazakh (3 percent), Karakalpak (2.5 percent), Tatar (1.5 percent), other (2.5 percent)

Size of private sector as % of GDP (mid-2000): 45

NATIONS IN TRANSIT SCORES

	1997	1998	1999-2000	2001
Democratization	6.35	↓ 6.45	↑ 6.44	↓ 6.50
Rule of Law	na	na	6.25	6.25
Economic Liberalization	6.25	6.25	6.25	↑ 6.17

KEY ANNUAL INDICATORS

	1994	1995	1996	1997	1998	1999	2000
GDP per capita (\$)	255.4	404.4	521.1	459.3	432.5	320.8	298.2
Real GDP growth (% change)	-4.2	-0.9	1.6	2.5	4.4	4.1	1.5
Inflation rate	1,568.0	304.6	54.0	58.9	17.8	29.1	50.0
Exports (\$ millions)	2,940.0	3,475.0	3,534.0	3,695.0	2,888.0	2,778.0	2,771.0
Imports (\$ millions)	2,727.0	3,238.0	4,240.0	3,767.0	2,717.0	2,587.0	2,380.0
Foreign Direct Investment (\$ millions)	73.0	-24.0	90.0	167.0	140.0	121.0	73.0
Unemployment rate	0.4	0.4	0.4	0.4	0.5	0.5	0.6
Life Expectancy (years)	na	na	na	69.2	69.3	69.6	69.0

INTRODUCTION

The highly personalistic leadership of the country's Soviet-era party leader and current president, Islam Karimov, has emphasized economic progress as a precondition to political liberalization while moving further toward the complete domination of Uzbekistan's political life. The electoral system, political competition, the supremacy of law, civic development, and the independence of the judiciary and the press are broadly subordinated to national economic development strategies as articulated by the executive branch. On a rhetorical level, Uzbekistan's constitutional and legal framework provides for internationally accepted principles of civil rights and good governance. The Uzbek government claims to be committed to the goals of secular, market-oriented, democratic development. Yet in reality, Uzbekistan is a highly authoritarian state where fundamental human and political freedoms are severely restricted.

President Karimov maintains that commercial development, not European-style civil rights, is the true fruit of national independence. Thus, the government has stressed business-oriented welfare authoritarianism, resisting counsel from international organizations to strengthen Uzbekistan's civil and political foundations. However, Uzbekistan's progress in establishing the foundations of a market economy, including the adoption of private property protections, macroeconomic reform, privatization of enterprises, banking and financial sector reform, and a business-friendly policy environment continued to be overshadowed by the heavy hand of the central government. Emphasizing economic self-sufficiency and state-sponsored welfare programs, Uzbekistan postponed price liberalization, maintained government subsidies on many items, avoided adopting a convertible currency, and upheld a complex system of non-tariff trade barriers. The government maintained restrictions on trade and currency movement, adopted policies to protect highly subsidized government-controlled trading companies, and periodically closed its borders with its neighbors, citing security concerns.

In an effort to counter the effects of a deteriorating trade environment, the Uzbek government initiated a number of policy correctives in late 1999 and early 2000. These policy changes included plans for price liberalization, the long-postponed privatization of major state-owned enterprises, balancing the public and private sectors, eliminating artificial restrictions on currency convertibility and non-tariff restrictions on foreign trade, improving conditions for foreign direct investment, reorganization of the banking and financial sectors, and reducing corruption and other bureaucratic impediments. If successfully implemented, these steps promise a significant departure from the statist economic policies of previous years.

Uzbekistan's reform strategy appears to be based on the idea that internal opposition and troublesome outside influences can be minimized during the transition period

through the heavy-handed but paternal guidance of a dominant central government. By avoiding the decision-costs associated with political constituencies and having to comply with international standards of civil and human rights, the government would be able to manage the country's social capital and economic resources from the top down. Critics of this strategy assert that the postponement of political liberalization will only undercut the chances for long-term economic success. Without a framework for good governance, transparency, and respect for civil and human rights, the pro-business strategy, say critics, will lead to diminished efficiency, greater demands for protectionism, corruption, and a deterioration of trade relations. In the long term, the critics claim, the Uzbek approach will lead to the institutionalization of special benefits for favored constituencies, resignation and cynicism on the part of the population at large, and risk-aversion on the part of entrepreneurs.

Two developments during the review period stand out as critically important in Uzbekistan's prospects for future political reform. The first of these is Uzbekistan's recent elections. During the past year elections took place at both the parliamentary and the presidential levels. However, in both cases the elections were examples of political ceremony rather than political competition. The outcome of the presidential election was such a foregone conclusion that even Karimov's opponent publicly announced his intention to vote for the incumbent president. The highly structured nomination process preordained the outcome of the parliamentary elections. Major international organizations chose not to send standard election observer missions to Uzbekistan in order to avoid dignifying such essentially flawed electoral processes.

The second key development is the Uzbek government's extensive counterinsurgency campaign. Dominance of Uzbekistan's public decision making by the executive branch of government was further reinforced during 2000 by the government's efforts to counter increasing pressures from political opposition and foreign-backed terrorists. Uzbekistan, sharing borders with war-torn Afghanistan and Tajikistan, is the target of terrorist organizations such as the Islamic Movement of Uzbekistan, a group that has claimed responsibility for terrorist attacks and has announced that its goal is the forcible overthrow of the Uzbek government. The government's counterinsurgency campaign, which has involved a sweeping crackdown on terrorist groups, has also cast a wide net that ensnared the regime's legitimate critics as well as many innocent victims. Numerous cases were reported by international human rights organizations of violations of human rights and Uzbek civil law by Uzbekistan's law enforcement authorities.

DEMOCRATIZATION

Political Process

1997	1998	1999-2000	2001
6.25	6.50	6.50	6.75

The re-election of President Islam Karimov in January 2000 re-established, perhaps for his lifetime, his personal dominance of the political system. Karimov has been at the center of Uzbekistan's political life for more than a decade. The Communist Party elevated him in 1989 as a corruption fighter charged with straightening out the finances of Uzbekistan's cotton industry. As party leader at the time of the Soviet breakup, Karimov easily withstood challenges from political opponents to win election as Uzbekistan's first president in 1991. His first five-year term was extended to 2000 by a 1995 plebiscite. Uzbekistan's parliament subsequently voted to interpret the extension as part of Karimov's first term, making him eligible to run for re-election in 2000.

Uzbekistan's political elite is deeply entrenched in the system through strong but nearly invisible relationships of patronage, clan, and family. A political culture of authoritarianism pervades the public bureaucracy. A tightly bound network of regional political interests intersects with industrial and commercial interests to reinforce the stability of Karimov's rule. Karimov's critics view his leadership as reinforcing authoritarianism and despotism.

However, the ruling bureaucratic and clan-based elite has confronted an increasingly visible and resourceful opposition. New forms of Islamic ideological competition have emerged that threaten the stability of Karimov's secular, bureaucratic state. Polarization between the regime and its ideological opponents has grown in the past two years, driving the political opposition into hiding or exile and transforming some dissent into violent anti-regime activism.

A small but irreconcilable political opposition to the Uzbek government emerged during the national independence period of the late 1980s and early 1990s. The most determined opposition originated in Uzbekistan's Fergana valley, a densely populated agricultural region that has longstanding traditions of maintaining resilient opposition to outside influence. The opposition crystallized in the formation of such Islamic groups as Tavba (Repentance), Adolat (Justice), and Islom Lashkarlary (Fighters of Islam). These groups sought to establish an Islamic state in Central Asia, ridding the region of the influences of the Soviet period.

The Karimov government sought to establish a national state, breaking with the Soviet period but holding fast to the idea of a secular government integrated into the prevailing fabric of international institutions. Karimov targeted the Fergana groups as potential threats from early on. Members of these groups left Uzbekistan in order to take part in the Tajikistan civil war that erupted in September 1992. The aim of some of the opponents was jihad—a Muslim holy war—against the Uzbek government in order to spread

the teachings of Muhammad ibn Abd al-Wahhab, a leader who appealed for the restoration of Islamic authority in Muslim lands and a purification of the state from outside influences.

In 1995, members of several religious groups from the Fergana region united to found the Islamic Revival Movement of Uzbekistan. The group initially was based in Peshawar, Pakistan, and later moved to Kabul, Afghanistan. In 1998 the group adopted the name Islamic Movement of Uzbekistan (IMU). Members of the IMU received financial and technical support from abroad, particularly from Afghanistan and Pakistan. Two of the group's leaders, Takhir Yuldash and Juma Namangani, both natives of the Fergana valley city of Namangan, have been involved in planning and carrying out a number of terrorist acts in Uzbekistan. The IMU supports the violent overthrow of the government of Uzbekistan and was involved in the terrorist bombings of February 1999 in Tashkent that killed 16 people and injured more than 100. The U.S. State Department designated the IMU as a foreign terrorist organization in September 2000.

Parliamentary elections, the first in Uzbekistan since December 1994, took place on December 5, 1999. The 1999 election concerned 250 seats in the unicameral parliament, the Oliy Majlis. The Oliy Majlis is not considered a professional assembly. It convenes only four times a year for brief periods to pass legislation that has been prepared by parliamentary committees or by executive branch agencies.

The elections were governed by the Parliamentary Elections Law adopted on December 28, 1993 and amended in 1997 and 1999. The right to nominate candidates was reserved to registered political parties, the veliyat legislative councils, and the Karakalpakstan parliament. Political parties were required to satisfy the additional condition that they be registered with the Ministry of Justice no less than six months prior to the election and have collected 50,000 voters' signatures supporting the party's participation in the election. The law also extended the nomination right to citizens organized in groups of 100 or more from a single electoral district to nominate a candidate.

In response to criticism that the top-down nomination process stifled initiative, the Center for Support of Independent Candidates was established to assist independent candidates with the formation of citizen initiative groups, the registration process, and the campaign. According to the election rules, the count is considered valid if more than 50 percent of the electorate votes and if the winning candidate receives more than 50 percent of the votes cast. Otherwise, a runoff election is held. As a consequence of these nomination provisions, up to seven candidates could run in any given electoral district. This includes candidates nominated from the five registered political parties, one candidate nominated under the citizen's initiative provision, and one candidate nominated by the local authorities. Qualified to stand as parliamentary deputies are members of the government (with the exception of ministers and the prime

minister), judges, and staff of the prosecutor's office. However, members of the government, with the exception of hokims, must relinquish their official positions to take a seat in the Oliy Majlis.

More than 12.5 million voters registered to take part in the election, for which the turnout was reportedly more than 95 percent. In 184 constituencies, one candidate received more than 50 percent of the vote during the first round and was elected to parliament. Run-off elections in 66 constituencies took place on 19 December 1999.

International organizations and observers found the 1999 parliamentary elections to be seriously flawed. During the pre-election phase, individuals, groups, political parties, and nongovernmental organizations (NGOs) that oppose the government could not freely associate, present their views openly, and take part in the political and electoral process. Freedom of association was limited through denial of registration by the Ministry of Justice to NGOs and political parties that criticized state authorities or state policy. Freedom of assembly was limited by a Soviet-era decree, which permitted only indoor public meetings and demonstrations, and then only with the prior consent of authorities. The electronic and print media were subject to censorship through direct control, as well as licensing and registration obstacles.

Members of the People's Democratic Party won 48 seats in the Oliy Majlis, or 19 percent of the house. The Fidokorlar Party won 34 seats (14 percent), followed by Vatan Tarakkoti (20 seats, 8 percent), Adolat (11 seats, 4 percent), and Milli Tiklanish (10 seats, 4 percent). Executive bodies sent 110 deputies to parliament, while 16 became deputies under the citizens' initiative provision.

Uzbekistan's first post-independence presidential election took place on December 29, 1991, when Islam Karimov defeated Muhammed Solih of the opposition party Erk (Will) by a margin of 86 to 14 percent. Limitations on Solih's election campaign raised questions of the fairness of the election regarding restriction on pre-election rallies, dissemination of information, and media attention. The 1992 Uzbek constitution includes a limit of two consecutive terms for the president. On March 26, 1996, a referendum was held to extend President Karimov's term in office until the year 2000. It passed with over 99 percent voter turnout and 99 percent of the vote in favor of the extension. The Oliy Majlis rejected Karimov's suggestion that this extension be considered his second term. As a consequence, Karimov was eligible to run for reelection in 2000. Some argue that the 2000 presidential election may technically be considered Karimov's first term, given that the 1991 election occurred prior to the adoption of the current constitution. This interpretation would allow Karimov to stand for re-election in 2005.

Uzbekistan's most recent presidential election was held on January 9, 2000. According to the Uzbekistan Central Election Committee, the total number of registered voters was 12.7 million, and turnout was 95 percent. Karimov won

92 percent of the vote, while his opponent, Abdulhafiz Dzhahalov, won 4.17 percent. Leading international organizations refused to send observers to avoid dignifying the voting process. The elections were widely regarded as neither free nor fair.

Official figures suggest that voter turnout in Uzbekistan is exceptionally high. This high turnout, however, reflects not political participation but rather the ceremonial nature of Uzbekistan's elections. Elections are seen not as a plebiscite on public policy choice but as an opportunity to demonstrate patriotism. Manipulation, coercion, falsification, and the "family" voter phenomenon suggest that turnout figures are inflated.

The fundamental regulatory instruments establishing the ground rules of political competition include the law On the Elections for the Oliy Majlis, the law On the Central Election Commission (CEC), the law on political parties, and the laws regulating the functioning of the mass media. The CEC is a 14-member board established by the parliament on the advice of the president. It is responsible for oversight of the nomination process, campaign financing and publicity, and the organization of the election.

On May 25, 2000 Islam Karimov proposed in a speech to the Oliy Majlis that the unicameral legislature be reformed to create a second, higher chamber (Oliy Kengash, or Supreme Council) that would represent the interests of the country's various regions.

The People's Democratic Party (HDP), the successor to the Communist Party, is the dominant party and explicitly supports the president and the government. Other political parties include the Fatherland Progress Party (WTP), which is considered to be the "loyal opposition;" the Adolat Social Democratic Party, which promotes a "rule of law" agenda; the nationalist Democratic National Rebirth Party; and the Self-Sacrificers Party (Fidokorlar), formed in 1999 by young people, workers, artists, businessmen, and intellectuals. In 1996 Karimov withdrew from the National Democratic Party claiming that the president should be above partisan politics.

Several opposition parties remain unregistered or banned. The Islamic Renaissance Party and Adolat (not to be confused with the Adolat Social Democratic Party) have been refused registration by the Ministry of Justice on the grounds that they do not comply with the constitutional mandate of separation of church and state and the 1996 law on political parties. The Islamic Renaissance Party was headed by Abdulla Utaev until his disappearance December 1992. Since that time, the party's leadership has remained in exile or in hiding. Birlik and Erk have active informational programs in exile.

Provisions regulating the registration of political parties severely limit possibilities for the development and participation of new parties. Provisions for the registration of candidates favor self-recruitment and government manipulation. Election administration fails to guarantee true independence and impartiality. The law on elections to the Oliy

Majlis establishes unequal conditions for the nomination of candidates, in effect creating three classes of candidates with different requirements. The candidates who were not nominated by legislative bodies faced difficulties collecting the required number of signatures without the support of local authorities. They also encountered significant difficulties during the signature verification phase.

Executive power, in particular through its local branches, unduly interfered with the election process. The hokims (governors and mayors), having both legislative and executive powers, and hokimiats (executive apparatus) at regional, district, and city levels exercised determinative influence on the electoral process, including playing a key role in the nomination of candidates and the conduct of the elections. After registration, candidates faced further impediments from the hokimiats and election commissions during the campaign period. Some candidates were subjected to pressure by Hokimiats to withdraw from the election in favor of other candidates.

Party membership in Uzbekistan is difficult to gauge, partly because a number of parties are unregistered. The HDP claims between 300,000 and 400,000 members, and the WTP claims at least 35,000 members. These numbers are quite possibly inflated, with most political organizations' membership numbers in the low thousands. The existence of multiple parties in Uzbekistan has not led to political competition.

Civil Society

1997	1998	1999-2000	2001
6.50	6.50	6.50	6.50

Civil society development in Uzbekistan lags far behind that of countries in similar stages of economic development. A "citizen-subject" orientation rather than a "citizen-participant" orientation combines with Soviet-era traditions of a hierarchical social structure to make independent citizen initiatives difficult. In Uzbekistan, government-approved NGOs are often indistinguishable from government-organized NGOs. The Uzbek government, in particular the Ministry of Justice, has failed to appreciate that civic organizations can play a critical role in establishing democratic, market based economies by encouraging grassroots, constituency-based citizen involvement.

In the early stages of national independence in Uzbekistan a number of NGOs formed around social and political issues. But the organizations Birlik, the Committee to Save the Aral Sea, and Samarkand, (an organization to assist ethnic Tajiks) were seen by the government as possessing political rather than social goals and were denied registration. The Human Rights Society of Uzbekistan (HRSU) and the Independent Human Rights Organization of Uzbekistan (IHROU) have also unsuccessfully attempted to register.

According to the Ministry of Justice, there are 2,300 registered NGOs in Uzbekistan. This number includes 287 international and republican public organizations, of which 62 are international and 225 are republican. The total number also includes 2,023 local public organizations that have been registered by the Ministry of Justice of the Republic of Karakalpakstan, Boards of Justice of regions and the city of Tashkent.

There are three main types of civic organizations in Uzbekistan. The first includes indigenous civic organizations that play a public service role endorsed by the Uzbek government. These NGOs include nationwide organizations such as the Mahalla Foundation, the Association of the Disabled, and the Veteran's Fund. There are also specialized organizations that focus on key environmental or social issues. These organizations often are organized at the government's initiative and as such receive special privileges.

The second category consists of foreign donor-sponsored "implementing" NGOs that carry out the work of identifying and providing financial and technical support for indigenous citizen initiatives. Implementing organizations include Counterpart Consortium, the National Democratic Institute (NDI), the Initiative for Social Action and Renewal in Eurasia (ISAR), the American Bar Association Central and East European Legal Initiative (ABA/CEELI), and the International Foundation for Electoral Systems (IFES). Each of these organizations has provided support for the development of indigenous NGOs in Uzbekistan in different ways and to varying degrees. These implementing organizations are unlikely to develop financial sustainability on the basis of own-source revenues from Central Asia. Consequently, when donor government assistance comes to an end, the support for indigenous NGOs in Central Asia can be expected to evaporate.

The third category consists of those organizations directly engaged in the promotion of group or public interests through providing goods and services to the client population. NGO activity in the past year has focused on capacity building (training and other forms of knowledge-based technical assistance) and "leverage grants" that provide seed capital for previously existing or incipient civic initiative organizations. These foreign-supported domestic NGOs include a broad spectrum of civic groups ranging from expressly political to broadly social. They include legal foundations, child assistance organizations, women's rights groups, advocacy groups for the rights of underrepresented portions of the population, and environmental activists.

Indigenous NGOs reported marked improvement during the past three years in relations with the government. NGOs that have succeeded in registering often report that the effort was a learning process both for them and for the government officials who initially sought to restrain them. Taxation is the most problematic side of civic activity. Tax avoidance, if not evasion, is commonly viewed as one of the primary motivations of individuals involved in local NGOs.

The NGO registration process is complicated and threatening. There is a widespread belief within the Ministry of Justice and the tax service that nonprofit enterprises are merely fronts for tax evasion. There is an assumption within the public order ministries that the NGOs are fronts for political organizations. The distribution of income in contemporary Uzbekistan precludes many citizens from engaging in direct public interest activities. As a result, local NGOs have a keen appreciation of the approaching decline of foreign donor assistance. However, there are few creative attempts to confront this eventuality. Proposals for the establishment of externally-funded, local NGO support centers have met with caution due to concerns about the interference of the government (or other actors) after the withdrawal of foreigners from management positions.

Trade unions exist in Uzbekistan as an instrument of management rather than as a means of interest group-based collective bargaining. About 25 percent of Uzbekistan’s labor force is in the main trade union that is under the aegis of the Ministry of Labor. Farmers’ groups and small business associations also exist, but are primarily mechanisms for the dissemination of information rather than for interest promotion.

NGOs cover a spectrum of activities ranging from the governance-oriented (such as election monitoring) to the civic initiative- and advocacy-oriented (such as women’s self-help associations) to the broadly social (such as child health collectives). Social needs in the region are exceptional and urgent. Structural change in government processes has been top down in origin and orientation.

Independent Media

1997	1998	1999-2000	2001
6.50	6.50	6.50	6.75

Uzbekistan is a challenging political environment for press and media. Government-sponsored media dominate the information arena, while government censorship, both active and passive, confronts independent journalists and media managers on a daily basis. This creates an atmosphere that chills free expression of views and opinions and limits access to facts and information.

All broadcast media are subject to a highly bureaucratic annual re-registration process. In late 1999 the republic’s licensing commission closed two of the country’s most progressive television stations over licensing issues. Station directors claim that the closures were politically motivated, because of their commitment to producing balanced reportage according to international standards. Government officials argued that the stations were uncooperative during the annual re-registration process. Media rights organizations charged that such closures and manipulation exacerbated an already difficult media atmosphere. There is evidence that broadcasting stations practice self-censorship

for fear that criticism of government structures and individuals will bring negative consequences.

According to the Uzbek Ministry of Justice, the country has 477 newspapers, 136 journals, 4 information agencies, 25 Television studios, and 2 radio stations. Leading newspapers include *Tashkentskaya Pravda*, *Pravda Vostoka*, *Vremya I My*, *Tashkent Okshomi*, *Khalk Suzi*, and *Business Vestnik Vostoka*. The regulatory structure for the media includes a number of agencies and committees subordinate to the Cabinet of Ministers. The Uzbek Agency for Post and Telecommunications oversees telecommunications. The government recently established a Republic Radio and TV Industry Corporation (RTRC) that provides technical broadcasting services on contract to the state UzTeleRadio company. UzTeleRadio provides about 80 percent of the revenue of RTRC; the independent TV companies are responsible for the remaining 30 registered organizations. All programming is taped; a written government policy prohibits live programming.

Uzbekistan has an equally challenging economic environment for private commercial media organizations. Low advertising income results in unfair competition as the private media struggle to maintain the technical standards of the government media.

The newspaper distribution system remains under government control. There are several minor independent papers, particularly in Tashkent, which have a limited circulation. These tend to be business-oriented papers. Occasionally, illegal papers published by opposition groups in exile, usually in Moscow or Istanbul, find their way into Uzbekistan. Empowered by a Cabinet of Ministers decree, the State Communication Inspection Committee carries out annual inspections of media organizations. This procedure is referred to as the “Preservation and Security of Independent Radio Broadcast Stations,” and contains a detailed list of requirements to be met by the stations.

In February 1999 Uzbek police arrested the writer Mamadali Makhmudov, who was accused of having links with the banned *Erk* political party. Ukrainian police also arrested and extradited two Uzbek nationals who had arrived in Kiev to pick up copies of the newspaper *Erk* for distribution in Uzbekistan. On August 18, 1999 a Tashkent city court sentenced these individuals to jail terms of 8 to 15 years for distributing a banned newspaper containing slanderous criticism of the president (under Article 158-3 of the Uzbek penal code); participating in a banned political association (under Article 216 of the penal code); and attempting to overthrow the regime (under Article 159 of the penal code).

Libel, public defamation of the president, and “irresponsible” journalism, i.e., spreading falsehoods, are all subject to financial penalty and possible imprisonment. These measures were enshrined in the 1997 Law on Media, which outlined the responsibilities and obligations of journalists. The Uzbek government has criticized foreign journalists, principally Russia-based journalists, for reporting “libelous”

stories and have either pressured them to leave the country or prohibited the distribution of their papers. This has been the case for journalists working for *Nezavisimaya gazeta*, *Izvestiia*, and Interfax.

In November 1997 Shadi Mardiev, a reporter known for his critical stance toward corrupt officials and for his writings in the satirical journal *Mushtum*, was arrested on charges of defamation and extortion. Mardiev was held in pretrial detention in Samarkand until June 1998, when his case was brought before the Syrdariya regional court. He was found guilty of defamation and extortion against a Samarkand prosecutor and sentenced to an 11-year prison term.

Freedom House's 2000 *Survey of Press Freedom* rates Uzbekistan's media Not Free.

Governance And Public Administration

1997	1998	1999-2000	2001
6.00	6.25	6.25	6.00

The constitution provides for the separation of executive, legislative, and judicial powers. The judicial system consists of three tiers, including the constitutional court, supreme court, and arbitrazh (commercial) court. The constitutional court has a mandate to exercise judicial review, but this has not taken place. Civilian control over the military is provided for by the constitution, which places ultimate authority over the military in the office of the president. A civilian, Kadyr Gulyamov, replaced Lieutenant-General Yuri Agzamov as Minister of Defense on September 29, 2000. National Security Council Secretary Mirakbar Rakhmankulov explained that the appointment sought to "establish civilian control over military structures within the state."

The president's executive powers are extensive. Included among them are: the right to form a government, direct the government, and appoint and dismiss the prime minister and cabinet ministers; to appoint and recall diplomats; to establish and dissolve ministries; to appoint and dismiss the procurator-general and his deputies; to nominate appointees to the constitutional court, supreme court, and board of the central bank; to appoint and dismiss judges of regional, district, city and arbitration courts; to appoint and dismiss hokims for violations of the law; to suspend or repeal acts of hokims; to sign all laws of the Oliy Majlis or return them for reconsideration; to declare a state of emergency; to serve as commander-in-chief of the armed forces; to declare war; to rule on matters of citizenship; to issue amnesties and pardons; and to appoint and dismiss heads of the national security service. The president also enjoys personal immunity. Parliamentary Deputies also enjoy immunity from prosecution, but are subject to the sanction of the parliament. No such restriction is placed on the immunity of the president. After his state service, the president becomes a lifetime member of the constitutional court.

The three-tiered judicial system is subordinate to the Ministry of Justice. The court system is funded from the state budget. In order to avoid partisanship, no judge may be a member of any political party. The procurator's office constitutes the prosecutorial arm of the justice system. Procurators are appointed by the president and are restricted from any political or party activity during their service. There are local and neighborhood conflict resolution committees, or mahalla, which reportedly function effectively at the local level, particularly in rural areas.

The Uzbek constitution outlines the powers of the Oliy Majlis (Chapter 17). It is charged with initiating and passing legislation, as well as executing policies through committee work. It meets two times a year plus any special sessions and holds both public and closed sessions. The constitution grants similar legislative authority to the president, thus throwing into question the actual powers of the legislature. In fact, the legislature spends most of its time in session discussing and passing presidential proposals and decrees, which suggests that it is not the effective rule-making body of Uzbekistan.

In terms of territorial organization, Uzbekistan has a centralized system of government with ultimate authority resting at the national level. Within this system, there are twelve *veliyats* (provinces), one autonomous region, and one city government (Tashkent). All policies made and enforced at the veliyat level must comply with national laws. This also holds true for policies made and enforced at the level of the autonomous republic of Karakalpakstan. While hokims serve at the pleasure of the president, local officials serve at the pleasure of the hokims. In 1997 alone, more than half of the regional hokims were dismissed for a variety of reasons, usually due to poor harvests from their respective veliyats.

The most important administrative change in the period under review was the revitalization of an ancient institution, the mahalla committees, following an April 1999 presidential decree. According to Uzbek legislation and tradition, the mahalla level is local self-governing and is not considered part of the central government. In 1999 the government shifted greater emphasis to local public order activities by adopting a community-based approach to public law and order. Its novelty lies in the intensification of preventive measures in local communities and residential areas. This work is carried out by "prevention inspectors;" local officials who combine the duties of a neighborhood police officer, public health inspector, and good samaritan. In a short period of time these organizations have obtained a level of autonomy unknown for many years.

Veliyats and municipalities are responsible for collection of government revenue (taxes and other mandatory payments), but expenditure decisions are made at the national level. Very few categories of legitimate own-source revenue are available to local officials for purposes of policy programming. On the other hand, local officials wield exceptional interference powers. Lower level bureaucrats,

firms, and private parties that do not see eye to eye with local political officials have great difficulty acquiring the necessary government approvals, licenses, or permits to carry out their activities. Professional training institutions such as the Academy of Public Administration provide training in the theory and practice of government. However, the selection of government officials has not yet become a meritocratic process.

RULE OF LAW

Constitutional, Legislative, and Judicial Framework

1997	1998	1999-2000	2001
6.50	6.50	6.50	6.50

The preamble of Uzbekistan's constitution (adopted December 8, 1992) notes that one of the principal goals of the people of Uzbekistan is to "create a humane and democratic rule of law." The constitution guarantees rights of freedom of speech, free assembly, religion, and the rights to express one's national heritage. According to a poll conducted by an Uzbek government-sponsored public opinion center on the topic "Uzbekistan - Our Common Home," 87 percent of the population believes that the rights and freedoms of Uzbek citizens are protected regardless of their nationality or religion. Half of respondents thought that the individual's rights were fully observed. Fewer than five percent of the respondents reported that their constitutional rights and freedoms were not respected. Given the nature of the Uzbek regime, however, respondents are unlikely to provide frank and honest answers—particularly to a state-sponsored poll.

The judicial system in Uzbekistan consists of the constitutional court, the supreme court, and the supreme economic court, along with the supreme court and the arbitration court of the republic of Karakalpakstan. Judges of these courts are elected to five-year terms. The judicial branch also includes regional, district, town, city, and arbitration courts appointed for five-year terms.

In theory, the judiciary is independent; in practice, however, its capacity to function as an independent branch of government is limited. While the constitution describes the legislature as the highest organ of power, in fact Uzbekistan has a unitary, presidential form of government. In reality, the branches of government are not coequal or balanced; the executive branch is dominant in virtually all matters. The president acts as the head of state and executive authority in the republic and there are no meaningful lower tiers of independent authority (i.e., federal divisions). A number of opposition figures, including Shukhrullo Mirsaidov, the former vice-president of Uzbekistan, have been convicted of crimes. Although many of them were amnestied, their criminal records remain, technically disallowing their possible candidacies for high public office.

The current version of the criminal code was introduced in 1995. It is based upon a similar code adopted in the Russian Federation. The code includes capital punishment for the most serious offenses. The government enforces criminal law energetically. At the same time, President Karimov has sought to present himself as a gracious and forgiving leader, issuing amnesties to prisoners on a periodic basis. For instance, prior to his June 1996 visit to the United States, he released over 80 prisoners, including two political prisoners.

Abuses of human rights and prisoners' rights are consistently and widely reported. These secret police are said to tap telephones, falsify evidence, and conduct illicit searches. Prosecutors are allowed to go over the heads of judges who rule against them. Judges, therefore, rarely examine suspicious evidence because they can be removed if their decisions are overturned twice by a higher court. Search warrants are authorized and issued by province or by local (mahalla and district) militia. There have been no successful challenges to the legality of such warrants.

A Helsinki Human Rights Watch report issued in March 2000 documents physical mistreatment of detainees by police, and law enforcement agencies' use of psychological harassment, including prolonged solitary confinement, public denunciation, intimidation, and threats of arrest. Reports continue to appear of prisoners being beaten and abused while in custody. Whether these are anecdotal accounts or official reports from the U.S. Department of State, Human Rights Watch, or Amnesty International, it is clear that this remains a chronic problem in Uzbekistan. Indeed, an official from Human Rights Watch experienced such abuse firsthand in 1996 when he was illegally detained in a local police headquarters. Political prisoners, such as the "Namangan 11," who were tried in 1996, have reported repeated abuse in prison and coerced confessions. Article 117 of the constitution provides defendants with the right to legal representation.

Special prisons and labor camps have been built for political prisoners, including a high-security penitentiary on a military base in Zhaslyk in northwestern Uzbekistan. Inmates reportedly are forced to squat with their hands behind their heads all day. They must ask permission from a guard to move and then must thank the president aloud. There are also reports of torture. The government insists, however, that there are no political prisoners. As of August 2000, the prison population was officially reported to be 63,900, with 36 percent jailed for theft and another 24 percent for unspecified "serious crimes."

The constitution lists a wide range of rights (Chapters 7-10), which include the rights to assembly, free speech, freedom of religion, due process, ownership of property, and gender and ethnic equality. However, Chapter 11 provides that individual rights shall be interpreted in terms of the greater interests of the state. Chapter 12 guarantees the right to engage in business and commercial activity and protects private property rights. Legislation has progressed on these fronts, especially since 1996. In that year, new laws on private property ownership, establishment of busi-

nesses, and business taxation were introduced. Economic rights, as outlined in the constitution, have been of particular importance as the government attempts to attract foreign investment in Uzbekistan.

The constitution, the Uzbek legal code, and presidential decrees address the issue of discrimination. In each instance, government stresses the need to protect minority groups and to create a system of recourse for their complaints. In February 1995, President Karimov appointed a human rights commissioner who is charged with enforcing such legislation. Over the past several years, there have also been efforts to support non-Uzbek-language media and educational programs. The Uzbek government has permitted the establishment of Russian cultural centers in Tashkent, Ferghana, and Samarkand, each of which has a large Russian community. In addition, the language law, which had designated Uzbek as the sole language of official communication, has been modified. No date has been set for the enactment of a new language policy. However, it must be noted that there have been instances of discrimination and forms of intimidation directed against ethnic minorities. Russians frequently complain of unfair treatment in social, business, and market settings, while Tajiks often claim that the Uzbek state is not meeting their needs as an ethnic group. Public organizations that promote the minority rights of Russians and Tajiks have consistently been refused registration and thus the right to participate in the political process.

Uzbekistan's principal crime problems is closely associated with its location on the drug trafficking route from Afghanistan. The Uzbek government has tried to respond by imposing strict visa requirements, but these requirements have had the contradictory effect of staunching business and commerce and fueling the black market. In October 2000, President Karimov signed a joint statement with Turkish president Ahmet Necdet Sezer pledging to cooperate in the fight against drug trafficking, terrorism, and organized crime. Likewise, the U.S. government promised in 2000 to provide \$10 million to Uzbekistan and other Central Asian nations to fight international terrorism and drug trafficking.

Corruption

1999-2000	2001
6.00	6.00

Corruption has depressed economic life in Uzbekistan. Entrepreneurs in Tashkent report that they are overwhelmed by demands from tax inspectors and police for bribes and kickbacks. The World Bank estimates that one-third of annual profits from small private companies is paid in protection money and bribes. As Mikhail Degtiar noted in a recent article in *The Central Asian Times*, "At almost every level of government, 'extra' rates and tariffs are set for otherwise free services.... The mechanisms that were created to cope with corruption do not punish the wrongdoers but only serve to eliminate the undesirables."

Since medieval times in certain oasis cities of Central Asia government positions were sold rather than earned. While it may seem backwards that a person pay in order to receive a job, in fact this is economically rational in many cases because government positions carry high prestige, and an official can earn income to pay his superiors by levying "extra" taxes, fines, and service fees. In Central Asian cities this was considered standard practice. Such practices continue today, constituting a drain upon the efficiency and equity of government.

The Uzbek government has undertaken a number of initiatives to address the prevalence of official corruption. The government announced in September 2000 an analysis of investigations concerning 11,430 cases of alleged customs violations by businesspeople. This number included 9,300 cases by organizations and 176 cases of officials who allegedly committed violations. Of these cases, 1,319 involved smuggling or drug trafficking. A customs whistleblower hotline was also established to identify violations.

The bureaucratic burden of maintaining strict currency controls can be expensive, and it unavoidably creates an unfavorable climate for trade. A policy of overvaluation creates a rationale for extending police sanctions even to the extent of replacing the goal of public safety with that of regulating private behavior. It can give rise to an incentive structure in which private parties have an interest in evading the legal framework through various forms of side payments and inducements. An overvalued currency also can be expected to lead to the depletion of foreign reserves, which, in turn, can bring about pressures for severe import restrictions and, eventually, the collapse of the free trade policy. According to the IMF, between \$600 and \$800 million leaves Uzbekistan each year in capital flight.

The Transparency International 2000 Corruption Perceptions Index measures perceptions of the degree of corruption as seen by businesspeople, risk analysts, and the general public. The values on the index range between 10 (highly clean) and 0 (highly corrupt). Uzbekistan ranked number 79 out of 90 countries with a score of 2.4.

ECONOMIC LIBERALIZATION & SOCIAL INDICATORS

Privatization

1997	1998	1999-2000	2001
6.25	6.25	6.25	6.00

Macroeconomic Policy

1998	1999-2000	2001
6.25	6.25	6.25

Microeconomic Policy

1998	1999-2000	2001
6.25	6.25	6.25

Since 1991, Uzbekistan's economic policy has been characterized by a reliance on administrative measures and extensive government regulation of economic activity. In 1999, buoyed by an upturn in foreign exchange from exports of Uzbekistan's key commodities, cotton and gold, Uzbekistan's economy made some progress with growth in GDP at a respectable 4.4 percent. At the same time, Uzbekistan's foreign trade contracted by 25 percent and foreign debt increased by 20 percent. Currency restrictions had the effect of reducing exports, discouraging foreign direct investment, and leading the government to borrow heavily. During 2000, inflation and the devaluation of the *som*, Uzbekistan's national currency, continued to erode citizens' real earnings. Uzbekistan ranked 106 out of the 174 countries examined by the United Nations Development Program (UNDP) in its *Human Development Report 2000*. However, as major international financial institutions have pointed out, an accurate assessment of the country's social and economic health is difficult to achieve given the unreliability of the government's reported economic data.

Privatization legislation was passed during the Soviet period, although it was not widely implemented in Uzbekistan. After independence, the Uzbek government established the basic framework for private property rights and private commercial activity. The State Property Committee (SPC) was created by presidential decree in February 1994 on the basis of the Committee for State Property Management and the State Property Fund under the Ministry of Finance. The SPC was given responsibility for use and maintenance of state property, development of the privatization legal framework, maintaining the state's packet of shares in joint equity stock companies, determining forms of denationalization and privatization, and selling property. The regulations of the SPC define a property as privatized if it has been reconfigured as a joint stock company regardless of the ownership of the shares. Consequently, a joint stock company whose total shares are owned by the government is considered to be a privatized company. Given the fact that privatization has reassigned ownership but has not in many cases had a substantial effect upon actual management or financial practice, assumptions based on estimates of the proportion of property in private hands may be misleading.

The Uzbek national tax system is centrally administered and implemented at the local (*veliyat*) level. The tax system includes 13 types of taxes: income profit tax (on companies); unified simplified tax (for small enterprises); gross income tax (on companies); personal income tax (on individuals); unincorporated entities (on individuals); value added tax on the sales turnover of goods and services (on legal entities); excise tax on import values (on entities); property tax (on individuals and entities); land tax (on entities);

agricultural land tax (on cooperatives); mineral resource tax (on entities); environment tax (on entities); and water use tax (on entities). The tax code was adopted by the Oliy Majlis in April 1997 and came into effect on January 1, 1998.

Banking reform began in Uzbekistan with the creation of the self-regulating Banking Association of Uzbekistan (BAU) in July 1995. In November 1995, the Cabinet of Ministers delegated to the BAU responsibility for conducting the National Banking Sector Development Program. Enterprises, organizations, and the government dominate deposits in Uzbekistan's banks. Private citizens hold fewer than two percent of bank deposits. This reflects the low citizen confidence in the banking system and the suspicion that bank deposits may be subject to review by government officials. To increase the savings rate, the government adopted an initiative in September 2000 to guarantee secrecy of deposits and protect savings. The measure requires that banks process transactions in both cash and non-cash and give cash to depositors on demand.

Uzbekistan left the ruble zone in November 1993 when it introduced a temporary currency, the *som* coupon. The Uzbek *som*, valued at four to the U.S. dollar, officially was introduced as a tradable, though not fully convertible, currency in June 1994. In September 1996, in connection with a shortfall in foreign reserves, the Uzbek Ministry of Finance imposed a system of import contract registration. The goal of the system was to ensure that scarce foreign currency was used primarily to import capital rather than to buy consumer goods, particularly luxury goods. However, in practice the system severely limited the availability of foreign exchange for all sectors of the economy and retarded economic activity. In subsequent years the Ministry of Finance periodically acted to make the system yet more rigorous as foreign currency reserves continued to dwindle. According to the policy, individuals and firms could purchase and sell hard currency only through exchange booths operated by four legally recognized banks. The policy had the effect of creating multiple foreign currency exchange rates. Government-licensed firms were entitled to buy foreign currency at the overvalued government rate, while unlicensed firms and individuals were required to buy at a commercial rate. This gave the government-preferred firms a great advantage, making possible "windfall" profits on currency transactions alone. A black market rate for the *som* quickly emerged. While the black market rate varied with conditions, at some points it was four times the official rate.

International donor organizations urge Uzbekistan to rethink its currency policies. The International Monetary Fund (IMF) suspended credits to Uzbekistan in November 1996 as a result of the country's adoption of the overvalued, artificial currency exchange rate. Since that time, the IMF has continued to work with the country, but has restricted its assistance to technical counsel. The IMF urged the Uzbek government on repeated occasions to abandon the artificial exchange rate. President Islam Karimov an-

nounced in 1999 that the country's currency would be fully convertible as of 1 January 2000. Some improvements were introduced. In May 2000 the Uzbek government devalued the official exchange rate for government transactions by about 50 percent, setting the Uzbek som at 231 to the U.S. dollar and establishing a system for regular weekly modifications of the official and commercial exchange rates based on market factors. The "commercial" rate was 148 percent below the official rate (683 Som=\$1). This applied to firms that conducted legal transactions but did not have access to the government's "official" rate.

The Uzbek Republican Stock Exchange (URSE) was established in March 1994 by presidential decree. Other stock markets include the Tashkent, Bukhara, Namangan, Samarkand, and Ferghana exchanges. The markets provide a platform for trade in commodities and financial instruments. Public trading is regulated by the Uzbekistan Center for Regulation of the Securities Market (CRSM). Public offerings require that a firm first submit the prospectus for review by the CRSM. The legal framework provides for trade in joint-stock company securities, government bonds (that is, treasury notes, both national and local), corporate bonds, and promissory notes (state, commercial, common, and transferable). The volume of trading on the URSE and regional exchanges totaled 26.4 billion Uzbek Som (\$114.2 million at the May 2000 official exchange rate after devaluation), compared with 8.1 billion Uzbek Som (\$35 million) during the first six months of 1999. However, the trade volume figures are misleading because most of these contracts are prearranged by government transactions and do not represent free market forces. As a consequence, the volume of trade is low and most securities are illiquid. The Uzbek government plans to boost trade volumes and liquidity through plans to enhance transparency in secondary market operations and by establishing transparent and efficient settlement, clearing, and registration.

In August 2000 a presidential decree established the Uzbekistan State Committee of Demonopolization and Competition Development. The purpose of the committee is to carry out the provisions of the previous law On Competition And Restriction Of Monopoly Activity in Commodity Markets. The legislation was designed to establish a healthy competitive environment, create favorable legal and

economic conditions for competition development, prevent attempts to monopolize the domestic market, improve antimonopoly legislation, and protect consumers' rights. The committee was charged with monitoring consumer goods prices and cooperating with consumer protection organizations in taking measures to prevent artificial price growth and sale of low-quality goods and services. The committee has the right to impose fines on companies and their executives, as well as on government officials.

The government has made social policy a priority in order to avoid social instability associated with high unemployment and price inflation. Explicit social protection policies are implemented in Uzbekistan through the state budget. The most significant change in the social safety net is the increased reliance on the mahalla (community) administrative system for the distribution of social benefits. The government provided subsidies for housing maintenance and municipal utilities such as water and heat. Heating and water heating subsidies were scheduled to expire in 2000 and 2004, respectively.

As in other post-Communist countries, women have borne a disproportionately large share of the burden of the costs of structural readjustment. Uzbekistan ranks 87 of 143 countries examined in the Gender-Related Development Index of the UNDP's *Human Development Report 2000*. The same report put Uzbekistan's maternal mortality rate at 21 per 100,000 live births in 1998. According to the CIA *World Factbook*, Uzbekistan's infant mortality rate was projected to be 72 per 1,000 live births in 2000.

The state pension fund is a national, state-guaranteed program but keeps its revenue separate from the general government operating budget. The Uzbekistan Ministry of Social Protection is responsible for administering the pension fund. Total expenditures of the fund represented ten percent of GDP in 1999. The fund is financed by a payroll tax paid by employers withholding tax of 37 percent. Most pensioners receive monthly minimum payments, but some are eligible for payments based on previous earnings. The pension fund also pays for other benefits such as disability, funeral, and some special veterans' benefits.

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