

## **Uzbekistan: The major source of instability in Central Asia?**

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### **Introduction**

1. With its geographic location, potential, ambitions and political priorities, Uzbekistan could play a leading role in Central Asia. The international community has perceived the country as the pillar of stability in the region. This perception was further reinforced after 11<sup>th</sup> September 2001 and was certainly among the factors that inspired the United States to start closer political and military cooperation with Tashkent. The administration in Washington had expected that closer contacts might galvanise political, economic and social change in Uzbekistan, thus reinforcing positive trends in other countries of the region as well. But the relations between Washington and Tashkent are in crisis (which the United States will certainly try to overcome), and we have seen rapprochement between Uzbekistan and Russia and China.

2. Uzbekistan is slipping ever deeper into economic and social crisis, and the forecasts are pessimistic. The scale of problems (which could be tackled through genuine reforms, but not an imitation of reforms) and the uncertainty as to how the political situation will develop (which causes interest groups to brace themselves for expected change) may threaten the country's stability. Should the political and social order in Uzbekistan break down, the entire Central Asia will become deeply destabilised. It is worrying that the negative trends in Uzbekistan are on the rise and in the present circumstances they seem almost impossible to reverse.

3. Uzbekistan's potential of instability is the product of the country's internal policies. In the economy, the authorities implemented wrong economic policies, failed to liberalise and open the market, conserved the centrally planned model of economy and inadequately distribute budget revenues (a large portion of which is spent on the oversized administration and the excessively extended security apparatus). As a result, only limited cooperation with international finance institutions is possible. In politics, the clans continue to vie for influence and various interest groups are likely to step up their struggle to take over power in the country. There is no serious secular alternative to the existing order, and mo-

derate Islam ideology (not radical but still independent of the state administration) have been eliminated. As a result, the fundamentalist Islamic ideology now attracts growing numbers of supporters.

4. Repression against the opposition (real and perceived) has radicalised large sections of the society. The suicide terror attacks (in late March/early April and on 30<sup>th</sup> July), which happened for the first time in Uzbekistan's history and targeted the state security apparatus, were symptomatic of the direction of developments. It is very probable that more such attacks will take place.

## I. The social and economic situation

The economic situation of Uzbekistan is the major source of social discontent and tension in the country. The Uzbek economy has stagnated for quite long<sup>1</sup>, and the economic system is inefficient and incapable of meeting the demands of Central Asia's most populous society.

With the economy twined with politics, it is impossible to implement genuine reforms, and the increasingly impoverished society is not prepared to take on the burden of such reforms.

The authorities are at pains to conserve the *status quo* in the economy because that is the way to continue cashing in profits and keep the principal instruments of political and social control. The existing system benefits narrow social groups – the ruling elite which emerged from regional and clan structures and has links to those structures as well as mafia groups. Those groups have divided power among them, with different regional groupings and clans controlling various sectors of the economy<sup>2</sup>.

Another reason why the ruling elite deliberately refrains from reforms is the fear of unavoidable adverse consequences of transformation, i.e. the social costs such as unemployment, which might deepen people's frustration and undermine the state's stability. However, the present situation in Uzbekistan shows that this avoidance tactic is backfiring. Even though Uzbekistan failed to implement necessary reforms (as the neighbours such as Kazakhstan or Kyrgyzstan have done to a smaller or greater extent) the country did not

manage to avoid the enormous social costs, the burden of which continues to grow<sup>3</sup>.

Living standards are declining for most of the society. Salaries are low<sup>4</sup> and insufficient to provide a living for families as the prices of goods and services rise continually as a result of inflation and the state's financial policy. On top of that, pay is frequently delayed. To support their families, Uzbeks have to seek other sources of income, but no new jobs are created. In recent years, job migration has been rising, especially to Russia and Kazakhstan<sup>5</sup> where incomes can be even ten times as high as in Uzbekistan (the number of people leaving for Kazakhstan doubled between 2000 and 2002<sup>6</sup>). Unfortunately, going abroad for work may be risky and dangerous: Uzbeks are frequently humiliated by the local people and/or the police, attacked, injured or even killed. In a new phenomenon, more Uzbek women go to work in the border areas of Kyrgyzstan<sup>7</sup>.

### 1. The cotton sector

Agriculture and the cotton sector in particular are subordinated to the state and its goals<sup>8</sup>. Anachronous and designed to preserve the *status quo* at any cost, the agricultural policy of Uzbekistan is one of the key factors that conserve the entire system and block reforms. At the same time, it breeds serious social and economic tension<sup>9</sup> and regional conflicts (between the centre and the provinces). It is also one of the major instruments of political and economic influence for certain narrow groups, and conserves various adverse phenomena such as corruption of state officials and paternalistic and mafia relations.

Controlling the procurement and export of cotton and the distribution channels of export proceeds is obviously a source of wealth for some people and groups, and a cause for rivalry between interest groups. It is no accident that Ismail Jurabekov, the Samarkand clan leader, was considered to be one of the most powerful figures in the country, one of the reasons for this being that he controlled the cotton business<sup>10</sup>.

Land in Uzbekistan has not been privatised, but individuals are allowed to lease agricultural plots for up to 49 years and, in theory, they are free to decide what kind of crops they want to grow<sup>11</sup>. In practice, however, farmers are forced to grow cotton, even though it only profits the state mo-

nopoly. Frequently, in order to get the lease permit farmers must agree to grow cotton in a part (e.g. 50 percent) of their land, and if they refuse, they may be disconnected from the irrigation system. Local state officials supervise farms for compliance with the regulations. Such restrictions are motivated by the state's strategic interests in the cotton sector: nearly half of Uzbekistan's export revenue (US\$ 1.5 billion in 2002) comes from the sale of cotton (Uzbekistan is the world's fifth largest cotton producer and the second largest cotton exporter)<sup>12</sup>. Consequently, the volume of the state's revenue depends on the price of cotton in global markets and on the weather situation. For example, in 2003 heavy rains occurred in spring. As a result cotton yield decreased from 3.2 million tons in 2002 to 2.85 million tons and the production volume of cotton fibre dropped by more than 6 percent to 945.9 thousand tons<sup>13</sup>. Each year, the state bodies (including the Ministry of Agriculture and Natural Resources, the prosecutor's office and the security service), the local elite, mafia groups and ordinary citizens fight a "battle for cotton". The state implements active measures to increase the output of cotton, and since it is exclusively authorised to procure cotton, prices paid to farmers are very low, sometimes even 20 times lower than in the neighbour countries. In 2002, farmers were paid 125 sums (10–12 US cents) per 1 kilogram of cotton, but sometimes they get no pay at all for their work. Such low procurement prices guarantee high proceeds when cotton is sold abroad. Each year, a target for the cotton output is set, and the *hokims* (district governors) are held accountable for the achievement of this target<sup>14</sup>. Governors employ all resources available to meet the demands, sending the personnel of government bodies, students and even children to help with the harvest. The impoverished society is busy smuggling cotton to neighbouring republics. The state tries to counter this, and president Karimov himself, as well as the security services, get involved in the anti-smuggling campaigns. During harvest time, additional road checkpoints are established and border controls are stepped up. People are reported to have been killed in the course of anti-smuggling operations carried out by the border services.

## 2. The finance system – state supervision and barrier to development

Compared to other CIS countries and even the neighbour republics of Kazakhstan, Kyrgyzstan and Tajikistan, the finance system of Uzbekistan is underdeveloped and to a large extent it is a bottleneck of the country's economic development. At the same time it is also one of the most important instruments of state control.

Since the mid 1990s when stricter regulations on foreign currency trade were enacted after a short spell of more liberal statutes international finance institutions have made repeated calls for a uniform exchange rate of the national currency – the sum (UZS) to be introduced and for full liberalisation of access to foreign currency. The government of Uzbekistan announced a liberalisation of the finance market, but the outcome of this liberalisation shows that the measures implemented by the government have little in common with what the government had pledged to do. Making the sum convertible in October 2003 solved only some of the finance market's problems.

### 2.1. The banking system

The state owns banks in Uzbekistan, including commercial banks in which it holds majority shares<sup>15</sup>. The principal task of the banks is therefore to implement the state's policy. Hence, their role as profit-oriented, commercial institutions is of secondary importance. The central bank has extensive powers: it influences economic processes (e.g. by regulating the supply of cash), is able to manipulate economic indexes (such as inflation of exchange rates), and appoints and dismisses management boards of other banks.

Banks are state bodies in Uzbekistan and citizens do not trust them, especially since they lose practically all control of their money once it is paid to a banking account<sup>16</sup>. Bank customers are at pains to minimise the amounts of money deposited with banks, but banks resort to administrative measures to collect deposits: there is an official requirement that bodies corporate deposit all of their financial resources with banks, and most types of transactions are legally required to be cashless.

## 2.2. Money circulation

The cash problem, i.e. cash shortages at banks, is among those maladies of the Uzbek finance system that the society (both individuals and businesses) and foreign investors find the most troublesome. The underlying cause of the cash shortage is that the Uzbek currency exists in two forms: cash (more valuable and preferred as the mode of payment) and bank money (less preferred; because of the regulations in force it is difficult to exchange bank money for cash and the former is the obligatory mode of transactions between private companies; in illegal<sup>17</sup> transactions bank money is worth 80–85 percent of its cash equivalent). Preserving the economically-harmful system with two forms of money profits the state and higher officials of commercial banks and the central bank<sup>18</sup>. It enables the state to control the circulation of money and the entire economy, and delegates responsibility for cash payments of salaries, scholarships and pensions to the banks, whom the central bank provides with the less-preferred bank money. In this way any delays<sup>19</sup> in the payment of benefits are blamed on the banks, who do not have enough cash in their vaults because they have to deposit cash with the central bank on a daily basis.

## 2.3. Currency convertibility

Until recently, Uzbekistan had three different exchange rates of the US dollar (the principal hard currency): two official rates plus the black market rate. The difference between the official and the black market exchange rate could even reach 100 percent, which made foreign currency trade a very profitable business. The government has limited the number of businesses authorised to provide money exchange services (permissions are granted in an arbitrary manner, providing a source of wealth to certain groups) and forces exporters to transfer all or part of their foreign currency revenues to the state. Such unnatural regulations profit the state (allowing it to improve its balance of payments), as well as businesses authorised to trade foreign currencies<sup>20</sup> and government officials at ministries and customs agencies in charge of granting foreign exchange licences.

The government of Uzbekistan agreed to lift the finance market restrictions (the 31<sup>st</sup> January 2002 agreement with the IMF, conclusions of the EBRD

summit in Tashkent on 4<sup>th</sup>–5<sup>th</sup> May 2003, and pressure of international finance institutions). In April 2002 uniform exchange rates were introduced, and the amount of money that each citizen was allowed to exchange every quarter was increased. Officially, the Uzbek currency – the sum – is fully convertible as of 15<sup>th</sup> October 2003, and bodies corporate are allowed to purchase foreign currency for the purpose of their foreign trade operations. But the hopes for a rapid improvement of the finance market proved futile because liberalisation of access to foreign currency (some restrictions remain in place) was not followed by an easing of the cash control policy. Only banks and private businesses controlled by the state hold licences for the provision of currency exchange services, and they purchase and sell foreign currency at the (excessively high) rates set by the central bank. The limited supply of cash is hardly conducive to free access to foreign currency purchase and sale transactions. With the limited availability of the sum, selling dollars poses a problem. As a result, the black market continues to exist, where the dollar is traded at a price lower by 2–3 sums. In 2004, the central bank imposed cash supply control twice (in March and June). The central bank is also authorised to stop currency exchange transactions in a certain area or at certain banks by blocking the central bank's server at which all such transactions have to be processed, and it frequently exercises this right.

## 3. Problems of small and medium enterprises

The SME sector in Uzbekistan struggles with endless problems. Most of them are of systemic nature and effectively stifle the development of small and medium enterprises. Concepts of centrally planned economy continue to restrict their opportunities<sup>21</sup> as unprofitable large industrial establishments remain the economic priority. This is connected with the concepts of economic and political security, the principal objective of which is to keep high levels of employment at the large, unprofitable, state-owned enterprises<sup>22</sup>, even if they have to be subsidised. In order to conserve this costly economic model<sup>23</sup>, the state has resorted to complex fiscal mechanisms (taxes on agricultural production, the energy sector, export;

high customs duties on imported goods, especially those competing with domestically-manufactured equivalents; tax holidays for selected establishments) and restricted access to foreign currency.

Small and medium enterprises fell victim to those restrictions. They are not able to compete with state-owned businesses which have access to subsidised credits and until recently could also purchase foreign currency at lower rates. As a result, small businesses paid for their imports three times as much as large enterprises in 2002, according to the World Bank. Other difficulties that small and medium enterprises have to cope with include the requirement to acquire various licences and permits to start a business, and impediments created by local administration and tax officials, or even officers of the law enforcement and security services. Bureaucratic formalities provide a lot of opportunities for abuse by local officials who frequently demand bribes for granting licences, foregoing checks or overlooking irregularities<sup>24</sup>.

The government's declarations on more extensive assistance to the private sector (e.g. the president's decree of 24<sup>th</sup> January 2002) are not reflected in the actual regulations that are enacted. The November 2002 decree empowered local authorities to re-nationalise and resell businesses that change the scope of their operations without the authorities' permission. A decree issued a month later imposed much stricter requirements on the issuance of wholesale licences. The most controversial and most widely criticised move by the government was to impose<sup>25</sup> drastic customs duties on imported goods: 50 percent on industrial products and 90 percent on other products (in autumn 2002, the rates were reduced to 40 percent and 70 percent, respectively, as a result of the society's resistance and criticism by the IMF). Characteristically, both decrees and regulations are signed by one and the same person – Islam Karimov – as president in the case of decrees and head of the Council of Ministers in the case of regulations.

All importers are required to possess documents attesting that they have paid the customs duty and that their goods meet the security and health standards. The new regulations affected most badly small bazaar importers and traders of cheap clothing and other merchandise, the

drivers and carriers cooperating with them, as well as small restaurant owners. They also caused a shortage of certain goods in the market and consequently, an increase in prices and mass shopping trips to the border-area bazaars in Kazakhstan, Kyrgyzstan and Tajikistan. Using sanitary protection of the country as a pretext, the authorities of Uzbekistan closed borders with neighbouring countries in December 2002 and January 2003. High state officials and the press resorted to unfriendly rhetoric as they criticised the "aggressive" economic policies of neighbour countries. Ultimately, the government regulations created a serious crisis and social tension in Uzbekistan (bazaar traders closed down their stands) and led to demonstrations and unrest (e.g. in Tashkent on 25<sup>th</sup> – 26<sup>th</sup> July or 4<sup>th</sup> September) and even clashes between the police and the merchants and traders. As a result, the number of small trade businesses decreased, many businesspeople had their goods confiscated and others chose to stay in business illegally, paying bribes to customs officials and controllers.

#### **4. Less cooperation with international finance institutions**

11<sup>th</sup> September 2001 marked a caesura in Uzbekistan's relations with international finance and aid institutions. Before that date, they were openly disappointed with the ambivalent approach of Uzbek authorities to the recommended reforms (in spring 2001, the IMF had closed its Tashkent office). But in the autumn of 2001 and spring of 2002 the situation changed in favour of Uzbekistan. In November 2001 the EBRD granted Uzbekistan two large credits for the modernisation of rail transport and municipal infrastructures worth a total of US\$ 85 million, and the Washington administration managed to persuade the IMF to resume cooperation with Tashkent. On 31<sup>st</sup> January 2002 a cooperation agreement was signed between the Uzbek government and the IMF, which opened prospects of credit assistance for various projects in Uzbekistan.

Yet the expectations of finance institutions never materialised. Already in 2002, import duties were increased drastically (as mentioned before), and in late 2002 and early 2003 borders with the neighbouring countries were closed, which ran counter to the requirement to create favourable

conditions for small businesses and to liberalise trade in the region.

In 2003 and the first half of 2004 the relations between Uzbekistan and international finance institutions deteriorated further, although still on 31<sup>st</sup> December 2003 the EBRD had signed an agreement under which it was to finance 21 projects in Uzbekistan worth a total of EUR 527 million<sup>26</sup>. The underlying cause of this decline was Uzbekistan's reluctance to implement a genuine reform program. The idea to hold the annual session of the EBRD Board of Directors in Tashkent provoked a lot of controversy. Opponents pointed that organising the session in Tashkent would imply that the EBRD approves of the political situation and economic policy of Uzbekistan. The session was held nevertheless, but it was concluded with an appeal to the authorities in Tashkent to liberalise the finance system and trade with neighbouring republics, and to democratise political life. A warning was also given that aid programs would be suspended should the Uzbek authorities fail to comply. Finance institutions welcomed the liberalisation of the foreign currency market announced in October 2003, but they made a reservation that this should not be seen as a panacea for all problems with which the Uzbek economy was struggling.

Organisations cooperating with Uzbekistan, and especially the EBRD, increasingly made it clear that further assistance would be granted only if the country's economic policy were mended and the political situation improved, including true democratisation of the political system, allowing political pluralism and respecting human rights<sup>27</sup>. Disappointed with the fact that Uzbekistan made hardly any progress in those fields, the EBRD announced on 6<sup>th</sup> April 2004 that it was going to limit its commitments in Uzbekistan solely to projects that directly benefit the society (private sector, public sector financing of border-area activities).

Other major finance institutions continue their operations in Uzbekistan. The Asian Development Bank is the only institution willing to grant higher credits<sup>28</sup>, while others, e.g. the World Bank, allocate relatively small amounts (approx. US\$ 50 million a year, mostly for infrastructure projects) which do not necessarily have to be used.

## 5. Unfavourable investment climate

Western investors are ever less willing to commit capital to Uzbekistan. In 2002, the already low foreign investments decreased by 22 percent to US\$ 65 million<sup>29</sup>. *Per capita* direct foreign investments amounted to just 2.5 US\$ in 2002<sup>30</sup>.

This affects the volume of trade exchange. The results of a 2002 research by the EBRD and the World Bank suggest that among the 27 countries in transformation that were studied, Uzbekistan was the only one in which the total volume of trade exchange (including both export and import) decreased in 2002 below the level at the start of transformation and accounted for 76.6 percent of the 1993 level<sup>31</sup> (133.6 percent in Kyrgyzstan, 139.0 percent in Tajikistan). The unfavourable climate for business in Uzbekistan, including bureaucracy and corruption, a banking system completely out of pace with market economy conditions and the persistent problems in the currency market, discourage western companies from launching businesses in Uzbekistan, and those already present in the country limit the scope of their operations<sup>32</sup>. It should be noted, however, that an opposite trend holds for great Russian capital, which is presently favoured by the authorities of Uzbekistan (e.g. LUKoil signed a contract for US\$ 1 billion worth of investments in the gas sector in June this year, and in July MTS of Russia purchased 74 percent of shares in Uzbekistan's largest mobile network Uzdon-robita for US\$ 120 million).

According to the World Bank, the drastic decrease in foreign investments in Uzbekistan (to the lowest level among all CIS countries at present) substantially contributes to the rise of poverty in Uzbekistan<sup>33</sup>.

## II. The social and political situation

### 1. The instability of Uzbekistan

Co-operation with the United States did little to improve the political situation in Uzbekistan. The persistent economic and social problems and uncertain political situation give rise to justified fears (which mounted further after the recent

terror attacks of March/April and 30<sup>th</sup> July this year) that the country's situation is increasingly unstable. Moreover, if the political and social order in Uzbekistan breaks down, the entire region of Central Asia may become destabilised, since Uzbekistan is the most populous and most militarised state among all post-Soviet republics in Central Asia, it borders all of them, and Uzbek minorities live in all neighbouring countries.

Social and political factors that may threaten Uzbekistan's stability:

### 1.1. The political system before the great test

The problem of president Islam Karimov's succession is gaining currency in Uzbekistan.

Karimov became first secretary of the Communist Party of Uzbekistan in 1989, and after the country became independent in 1991 he consolidated all power in his hands. In the first half of the 1990s, he managed to effectively marginalise secular national opposition and the Islamic movement that was emerging spontaneously, and created a loyal and relatively stable political system based on a forced consensus between Uzbekistan's major clans: the Samarkand clan from which he himself had descended<sup>34</sup>, and the Tashkent and Ferghana clans. In the national referendum held in January 2002, the Uzbeks decided to extend Karimov's term in office to December 2007 by a massive majority. With all opposition groups estranged from the political process, the existing political system developed a "dependency" on president Karimov.

Sovereign Uzbekistan failed to develop a transfer of power model that could guarantee continuity. Reports on the president's declining health began emerging already several years ago (even if they are not true, they add to the atmosphere of uncertainty shared by the society and the ruling elite). Moreover, president Karimov's term in office is slowly drawing to a close. He has taken a number of measures to facilitate the transfer of power and guarantee security for his family. In April 2003 the parliament passed a decree granting Karimov immunity from prosecution when he is no longer in office. Also in April, the parliament amended the constitution transferring some of the president's powers to the prime minister (e.g. the power to chair the cabinet of ministers),

thus expanding the prime minister's executive powers and preparing ground for more independent operation of the government in future. In December 2003 president Karimov dismissed prime minister Utkir Sultanov and appointed Shavkat Mirziyayev to this position (Mirziyayev comes from the Jizzakh fraction of the Samarqand clan. Formerly he was governor of the Samarkand province and proved himself to be loyal to the clan and exceptionally efficient in achieving his goals). This raised a wave of speculations over whether Mirziyayev's appointment was a foundation laid for the future political arrangement<sup>35</sup>. The struggle for power is heightening. While clan membership is the most important factor in group identification and a pass to career, political influence, etc., other factors such economic and personal ties between various groups also affect one's position in the political scene. There exist several decision-making centres, and the president acts as the liaison point between them. Political situation is shaped by alliances between various groups, families or persons. Such alliances among the elite are frequently ephemeral: they are designed to address a given task or situation. There is a widespread conviction that power in the country is controlled by the Samarkand clan, but its greatest rival, the Tashkent clan, also holds a strong position. The Tashkent clan leader Timur Alimov is head of the presidential administration, and he uses this position to promote people affiliated with his clan to high state offices (e.g. Qodir Ghulomov is the defence minister). Among the leading clans, the Ferghana clan has been the most underprivileged and deprived of political influence at the central level. However, given the uncertain situation in the country, this may change.

Tension in Uzbekistan and the prospects of a possible political destabilisation translate into rivalry between the two institutions forming the security apparatus, namely the Interior Ministry and the National Security Service (SNB)<sup>36</sup>. The Interior Ministry is headed by Zohirjon Almatov who maintains contacts with Ismail Jurabekov, while the SNB is led by Rustam Inoyatov considered to have ties to the clan of Timur Alimov. Controlling powerful institutions, both men are thought to be among the most influential persons in Uzbekistan.

Finally, there are also other internal threats that have remained dormant so far, but may be potentially dangerous. They include ethnic and religious separatism, by now effectively suppressed with the “strong hand” policy of the centre. The Tajik separatism may prove to be most consequential of all such movements<sup>37</sup>, as the Tajik minority complains of being discriminated against<sup>38</sup>, while at the same time it has many representatives in the ruling elite. Should Uzbekistan slip into serious instability, there is a risk that Uzbek Tajiks might raise demands for the Samarqand and Bukhara areas to be incorporated into Tajikistan.

## 1.2. The system remains highly repressive

The authorities of Uzbekistan use any means available to suppress the activities of their political opponents, whom they regard as a threat to stability and security of the state, including the group wielding power. This task is handled mostly by the extended security apparatus, i.e. the Interior Ministry and the Security Service (SNB). Both institutions are enormously expensive to maintain, and their costs rise every year<sup>39</sup>. Human rights organisations estimated the number of functionaries at approx. 200 thousand in 2002 (the regular army has a fraction of this number of servicemen)<sup>40</sup>. Larger and more expanded, the Interior Ministry comprises departments of the prevention and road police and the criminal police, but also well trained and equipped units for the combating of terrorism, extremism and other serious threats. The SNB is less sizeable, but it has more informers and cooperators. Its main tasks include to prevent threats to the constitutional system, combat terror activities, and to monitor the activities of opposition, non-governmental organisations, etc.

At this point it should be noted that widespread corruption in Uzbekistan also affects the security structures, a factor that may threaten law and order in the country. Take for example the operation of police checkpoints scattered throughout the country, whose task is to control the movement of people and goods. Organised groups of smugglers bribe policemen, and carriers pay money to the checkpoints as they pass, thus evading troublesome checks, etc. Almost anything can be fixed using bribery, including the transport of dangerous persons, explosives, weapons, etc.

The situation in courts and prisons is not much better: with a bribe sentenced criminals can find replacements to serve their sentence, and it is even possible to get a man out of the death row. Police and security service operations against real and supposed opponents of the political system or groups criticising the authorities frequently involve breaches of civil freedoms and human rights violations. Each year, the Human Rights Watch and Freedom House publish extremely critical reports on the human rights situation in Uzbekistan.

Since 1997, Islamic fundamentalism, extremism and terrorism have been regarded as the major enemies of Uzbek authorities, a perception that heightened in February 1999. It is believed that the bomb attacks in Tashkent on 16<sup>th</sup> February 1999 were carried out by Muslim extremists<sup>41</sup> who are also responsible for the two militant raids into Uzbekistan (the so called Batken crises of the summer of 1999 and 2000), as the authorities like to remind the public. This is the official reason behind the stepped-up struggle against radical Islam, which began with repression against members and supporters of radical Muslim groups. The scope of that struggle was subsequently expanded to include all openly religious people who frequent mosques for prayer, as well as men wearing beards and women who cover their face and wear the headscarf. The Russian Memorial organisation estimates that approx. 9 thousand people were detained and imprisoned on the ground of their religious practices between December 1997 and August 2001<sup>42</sup>. The authorities further “tightened the screw” after the terror attacks in spring this year (Tashkent, the Bukhara area) and on 30<sup>th</sup> July. More than 200 people allegedly involved in the attacks were arrested according to human rights organisations (the official number was 45 persons), border controls were stepped up, more police checkpoints established and persons dressing “the Muslim way” were reportedly expelled from universities.

Torture is frequently used against detainees during interrogation and people serving prison sentences<sup>43</sup>. The 2002 report by Theo van Boven, the UN Special Rapporteur, mentioned “systemic torture” in the Uzbek prisons, which is used as a routine measure against opponents and in the interrogation process. According to a report presented



to the Subcommittee on the Middle East and Central Asia of the US House of Representatives, the government of Uzbekistan failed to take any steps whatsoever to implement the recommendations of that report<sup>44</sup>.

The security services use different measures against the two categories of the system's opponents and critics in Uzbekistan.

"Preventive" measures are applied with a greater degree of caution against members of non-governmental organisations defending human rights, banned or unregistered political parties, popular journalists and other "cases" that receive publicity from the Western media. Nevertheless, such people have no guarantee of security. They may be kidnapped or assaulted by "unknown" perpetrators, accused of violating public order, or have drugs, illegal religious literature or brochures placed in their belongings. The most notorious cases were that of Ruslan Sharipov, a journalist investigating abuse and corruption in the police, who was sentenced to 4 years in prison in 2003 for homosexuality and sexual contacts with a minor, and that of Fatima Mukhadirova, the woman sentenced to 6 years in prison on 11<sup>th</sup> February this year<sup>45</sup> for membership in a religious organisation and attempted violation of the constitutional order, whose only crime was to publicise information about the death of her son who had died of torture.

The police and the security service also happen to use repression against ordinary citizens at the request of local authorities who wish to punish their opponents for criticising abuses committed by local leaders against farmers or small businesses. Islamic Internet websites (e.g. [www.muslimuzbekistan.com](http://www.muslimuzbekistan.com)) report on increasingly frequent kidnappings carried out by the SNB. In Tashkent alone, 8 people were kidnapped, including 4 teachers of Arabic.

The *Mahalla*, or the local self-government, is also an important instrument to control the society. Originally, an informal council of the elders, it has undergone gradual institutionalisation in recent years. In 1999 it was transformed into an official institution, the lowest unit of state administration. Its members are appointed and their tasks and competencies are set by the higher authorities – they include granting aid to poor families or organising local patrols. The *Mahalla* are able to closely monitor local communities,

which is why they were used by the authorities during campaigns against Muslim radicals that followed the February 1999 bomb attacks and the terror strikes earlier this year.

### 1.3. The repressive system radicalises the public

The method of combating political opposition, religious extremism and fundamentalism adopted by the government of Uzbekistan is backfiring. The Uzbek society is radicalising and, in a tendency seldom observed before, increasingly open in criticising the authorities<sup>46</sup>. The issues raised most frequently include wrong economic policies of the government and groups affiliated to it, the government's failure to take measures to create new jobs and improve people's living standards, and abuse of power as a way to derive ever greater profits.

The unsparing measures implemented by the government against Islamic fundamentalism, terrorism and extremism frequently affects people who have nothing to do with those phenomena. As a result of the brutality of investigators and practices such as placing of compromising and illegal materials in people's belongings or forcing testimony from suspects, hostility is mounting among those wrongfully detained, their families and acquaintances.

Paradoxically, as the government steps up repression against Islamic fundamentalists and their supporters in Uzbekistan, those group become increasingly popular. In particular, this refers to Hizb ut-Tahrir al-Islami (the Islamic Party of Liberation) which is powerful in Uzbekistan, with the strongest presence in the Uzbek part of the Ferghana Valley.

## 2. No bright prospects for democratisation

Although the constitution of Uzbekistan guarantees a democratic system of government, the country only has a democratic facade. The political system is tightly controlled by president Karimov and a narrow group of people. The political elite, which emerged from the old communist nomenklatura, has no public legitimacy because the elections do not meet democratic standards, there is no honest electoral rivalry or campaigning and the electoral laws leave much to be de-

sired. For these reasons, the country's leaders only represent themselves. The gap is widening between this small privileged group and the society that cannot decide for itself and its country. The party system is based on one dominant party, the People's Democratic Party of Uzbekistan, and a few legal systemic<sup>47</sup> parties. In Uzbekistan one has to cooperate with the president's administration to play any role whatsoever in politics. Addressing the middle class and calling for political and economic reform, the Liberal Democratic Party founded in November 2003 and headed by the Pakhtabank CEO Qobiljon Tashmatov was advertised as a political alternative. In fact, the party founders received president's Karimov's personal approval even before the founding congress of the party was held.

The two major opposition groups: the Birlik (Unity) movement and the Erk (Freedom) Democratic Party<sup>48</sup> are in a different situation. They have been banned and are now trying to come back to public life, but without much success: they face persecution by the authorities and lack public support. The authorities are not interested to have those parties reactivated just before the parliamentary elections scheduled for December 2004, and the legalisation proposals that the authorities make now and then<sup>49</sup> should be regarded as simulated measures.

The activists of Birlik (which is not a party in formal terms and cannot run in the elections under Uzbek law) managed to organise 7 regional congresses in April 2002 without any intervention of the state authorities. In August 2002 Pulat Ahun, one of the most important Birlik members, returned to Uzbekistan after seven years of emigration, but he did not start any political activity. The Erk party also tried to make it into politics, but accused of having links to terror organisations, it is in a much more difficult position than Birlik. In May 2002 it managed to organise a meeting, but its secretary general Otanazar Aripov was detained by officers of the Interior Ministry. In June and October 2003 Erk held congresses (without Muhammad Solih) in spite of provocations by the security services. Presently, however, Erk has split into three segments in practice it does not exist.

On 21<sup>st</sup> May the Ministry of Justice refused to register Birlik (claiming, inter alia, that signatures in the lists of supporters had been forged), and on

26<sup>th</sup> June the Supreme Court sustained the Ministry's decision, barring Birlik from the December parliamentary elections. Erk did not apply for registration because according to Aripov and his supporters, the party had been banned by the Ministry of Justice, while under the laws in force only a court may outlaw a party. Erk members intend to run in the elections as independent candidates.

Non-governmental organisations promoting democratic institutions, freedom of the media and human rights also have ever less room for manoeuvre. They have always been treated as political opponents by the Uzbek authorities (they were committed to criticising anti-democratic moves of the government and would call<sup>50</sup> on the US administration to stop assistance and restrict relations with Tashkent unless the human rights situation improves radically). In the first half of 2002 the NGOs were granted a little more freedom, but not for long. After the successful "rose revolution" in Georgia, Tashkent tightened control over organisations active in Uzbekistan that had cooperated with the Georgian opposition (e.g. the Open Society Institute of George Soros<sup>51</sup>). On 22<sup>nd</sup> January 2004 the government restored the law, enacted back in 1999, under which foreign non-governmental organisations must register with the Ministry of Justice in addition to registration with the Ministry of Foreign Affairs, making it much more difficult for foreign NGOs to obtain the necessary permits.

Free access to information and freedom of the media do not exist in Uzbekistan. Private media have not managed to undermine the monopolistic position of state-owned media. The latter are instruments of the official policy, serve propaganda and fail to honestly inform the public<sup>52</sup>. The abolition of censorship in July 2002 did not improve the situation<sup>53</sup> because the authorities maintained close control of the media market. Authors who criticise the authorities or reveal compromising facts about state officials (e.g. corruption) and editors who publish this kind of material are at risk of ruthless attacks by the police and security services. For this reason self-censorship is widespread in Uzbekistan, and few journalists dare to risk their jobs, freedom or the existence of their editors<sup>54</sup>.

It is prohibited to import any religious literature to Uzbekistan, and the prohibition is reinforced

by tight control of the Internet<sup>55</sup>. Certain websites such as [www.muslimuzbekistan.com](http://www.muslimuzbekistan.com), [www.hizb-ut-tahrir.org](http://www.hizb-ut-tahrir.org), but sometimes also [www.bbc.com](http://www.bbc.com)) are blocked, and owners of Internet cafes are obliged to remind internet users of the prohibition to visit the banned pages, and to report all “suspected cases” to the police (a reward of approx. US\$ 46 is offered for assistance leading to the arrest of a person suspected of visiting banned pages)<sup>56</sup>.

### 3. Islamic fundamentalism – an alternative to the political system

Secular opposition in Uzbekistan is weak, under the authorities’ surveillance, and lacks public support. Opposition of the society is more likely to be channelled through religion. Yet it is not the official Islam, or popular Islam, or even Sufi Islam that voice opposition sentiments, but rather the politically committed radical Islam. The former three branches have been pacified by the state apparatus, which controls them and uses them in its struggle against Muslim fundamentalism. The highest Muslim authority – the Spiritual Board of the Muslims of Uzbekistan (*Muftiyat*) has been practically incorporated into the state structures and fully supports the state’s policy on religion. Friday “sermons” are not authored by the mosque imams and they have to be approved by the *Muftiyat*. The *Muftiyat* is at the authorities disposal, also in terms of the appointments and dismissals of imams. Moreover, the authorities frequently resort to the provision of article 8 of the law on religion<sup>57</sup>. Leaders of official Islam often speak out in campaign against radical Islam. They try to demonstrate that radicalism is foreign to the variety of Islam typical for the area, that it is an aberration of the teaching of Islam and that its leaders lack proper religious education.

For most Muslims in Uzbekistan, who account for approx. 88 percent of the country’s population, fundamental norms and values are defined by the so called popular Islam which includes many (often non-Islamic) elements of local traditions. Popular Islam survived Soviet repression and is gaining importance presently. Generally the authorities do not restrict religious activities of believers, but they are closely watching the development of this branch of Islam, remembering

that with poor religious education, the believers may be susceptible to religious propaganda from abroad<sup>58</sup>.

The “protection” of Sufi Islam is also intended as an instrument of supervision and propaganda. On the one hand, the authorities are building the image of Uzbekistan as a country that supports<sup>59</sup> Sufism, the “friendly” variety of Islam and an alternative to fundamentalism, both for the West and for the official internal propaganda. On the other hand, the authorities remember that the Sufi tradition has a record of brotherhoods that fought the government and inspired insurgencies. For this reason the state keeps close watch over this branch of Islam. The system of hierarchy and unconditional obedience of students (*murid*) to teachers (*sheikh*, *pir*) found in Sufi Islam is regarded as dangerous. Therefore, religious meetings of the *Sufis* are monitored by security agents.

Popular Islam and Sufism (the elements of which form part of popular Islam, with many mosque imams being at the same time *Sufis*) are also used by the authorities in the fight against Muslim fundamentalism. The government is taking measures to transform the Islamic tradition into a museum piece (e.g. through renovation of historic monuments) that will be interesting to know about and attractive to tourists, but not viable and full of life.

The three branches of Islam (official, popular and Sufism) are incapable of voicing criticism and oppositionary moods. Those can only be channelled through the ideology of radical Islam that makes a powerful political stand and provides ready solutions to mend the country’s political and social situation (through obedience to the precepts of Islam).

After the Islamic Movement of Uzbekistan was eliminated, first in Uzbekistan and then in Afghanistan as a result of the US military campaign in that country, the Islamic Liberation Party or Hizb ut-Tahrir al-Islami is the only major fundamentalist group remaining in Uzbekistan. Despite repression, it is gaining popularity both in Uzbekistan and in other Central Asian countries<sup>60</sup>. This proves that its programme (social justice, abolition of borders) is attractive, and its methods (emphasis on self-education, charity, etc.) effective, as the organisation successfully attracts young people, the unemployed and the

poor, but also well-educated people. Hizb ut-Tahrir is gaining importance in Uzbekistan, even though the authorities are cracking down on the organisation ever more violently. Members of Hizb ut-Tahrir are accused of carrying out the terror attacks in late March/early April and on 30<sup>th</sup> July. At present it is difficult to determine whether those allegations are right – in its programme the party calls for abolition of secular rule, elimination of borders and barriers between countries, creation of an Islamic caliphate throughout Central Asia and implementation of the divine law as formulated in the Koran and the Hadis, using peaceful means.

It should also be remembered that other radical organisations calling for abolition of the present system are reportedly active in Uzbekistan (although no details are available on the number of their members and supporters, the reach of their operations, etc.). The Islamic Jihad Group, which allegedly claimed responsibility for the 30<sup>th</sup> July suicide attack through its website, may serve as an example. As the Uzbek society is radicalising, such organisations may win wider support in the near future.

#### 4. Uzbekistan – America's troublesome ally

Consequences of the terror attacks of 11<sup>th</sup> September 2001 and the global war on terror declared subsequently brought revolutionary change to Central Asia and Uzbekistan. The country supported the military operation in Afghanistan more than any other state in the region (e.g. by making its air space and the Khanabad base available to the coalition). This opened a period of close political and military cooperation between Washington and Tashkent. The highest US military officials and representatives of the US Departments of State and Defence were frequent guests to Tashkent. The culmination came with president Islam Karimov's visit to the United States on 11<sup>th</sup> – 14<sup>th</sup> March 2002, as a result of which the strategic partnership agreement was signed between Uzbekistan and the US. Uzbekistan became the top recipient of assistance funds among all countries of the region. It received a total of 79 million US\$ worth of assistance in 2002 and US\$ 30.2 million in 2003 (the total amount was US\$ 86.1 million and included 14.7 million for

the development of democracy; 18.2 million for social and economic programmes; 18.5 million for humanitarian assistance and 4.5 million for various other initiatives, in addition to security projects).

The Washington administration was open about the primary goal of its extensive political, military and financial commitments: to work towards stability and security in Uzbekistan and indirectly, throughout the region. The objective was to counter Islamic fundamentalism and terrorism not only through political and military cooperation, but also through elimination of the systemic causes of rising fundamentalism, i.e. the repressive political system and economic underdevelopment.

The cooperation between Uzbekistan and the United States failed to trigger internal reforms in the country, as the West (the EU and the USA) had hoped. Declarations about closer cooperation with the West and gradual implementation of political and economic reforms were not put in effect. The authorities of Uzbekistan and their Western partners had different visions of what the political and social system of Uzbekistan should be. Western countries wanted progressive democratisation of Uzbekistan's political system, pluralism, respect for human rights, freedom of the media, market economy, etc, while president Karimov repeatedly criticised the West for assessing change in Uzbekistan based on Western European notions and without taking into account the local reality and tradition. He also emphasised that he was sceptical about the universality of democratic values, adding that they should not be a precondition of cooperation, but rather its final result.

In response to the building threat to Uzbekistan's stability, as exposed by the terror attacks in late March/early April and on 30<sup>th</sup> July, the authorities in Tashkent resorted to the proven measure, i.e. further tightened the internal policy. This leads to tension between Washington and Tashkent. The United States has realised that continued assistance<sup>61</sup> to the most authoritarian regime in Central Asia<sup>62</sup>, responsible for numerous clashes with its neighbours (including border incidents, reluctance to cooperate on the management of water resources, creating barriers to trade), was seriously damaging the United States' image as the country that promotes de-

mocracy in the world and counters the systemic roots of Muslim fundamentalism (especially since the electoral campaign in USA was under way). In Uzbekistan as well as in other Central Asian countries anti-American sentiments are rising, fuelled by the situation in the region and in the world<sup>63</sup>. The authorities in Tashkent have become more open to proposals of economic, political and security cooperation with Russia and China (increased volume of trade exchange, projected investments, mutual visits of leading politicians, and cooperation within the Shanghai Cooperation Organisation which is gaining momentum). The Americans have tried to support Birlik's return to political life in Uzbekistan (the subject was discussed in Tashkent by high Department of State officials), but this comeback attempt ended as a fiasco. The American non-governmental organisations including the National Democratic Institute and the International Republican Institute were admonished that cooperating with the outlawed Erk and Birlik was a violation of the Uzbek law. Finally, the Open Society Institute of George Soros, the organisation that finances its projects with American funding, is having to withdraw from Uzbekistan.

### III. Prospects

The situation in Uzbekistan is worrying and so tense that the probability is high of a social outbreak based on economic or political grounds or a violent political and social crisis triggered by rivalry between the various factions. Three years after the start of close cooperation with the United States, Uzbekistan's strong international position is wearing away. The chance the country had been afforded by a period of the West's increased interest in the region has unfortunately been lost. In the uncertain political situation the probable scenario is that the clans will confront one another and the most powerful candidates will vie to take control in the country after president Karimov leaves office. This will entail a reorganisation of the political scene and a new division of influence in the economy.

The most worrying factor, however, is the desperate economic situation of the Uzbek society, the absence of prospects for a rapid improvement and the rising radicalism. Difficult to predict, this

may potentially cause an outbreak of mass demonstrations that may develop into riots. Should this scenario materialise, the country's stability will be under a serious threat, as the state structures may disintegrate totally or partly depending on the scale (size and reach) of protests, the way they are directed and the reaction of the police and security services. In that case, the ideology of Islam and the groups that refer to it as a factor of social mobilisation may play a very important role.

*Grzegorz Zasada*

## Annex

### Uzbekistan: Selected economic and security figures

**1. GDP growth in successive years:**

4.1 percent (1999), 4.0 percent (2000), 4.5 percent (2001), 4.2 percent (2002), 4.0 percent (2003) – official government data; 3.2 percent (2002), 0.3 percent (2003) – data of the IMF

**2. Per capita GDP:** 340 US\$ (2003) (240 in Tajikistan, 345 in Kyrgyzstan, 1970 in Kazakhstan) – Economist Intelligence Unit

**3. Consumer price index (end of year):**

28.2 percent (2000), 26.4 percent (2001), 22 percent (2002), 18.4 percent (2003) – Transition Report 2003, the EBRD.

**4. Direct foreign investments:**

US\$ 140 million (1998), US\$ 570 million (2001), US\$ 65 million (2002) – totally till the end of 2002 1,3 bln US\$ – the EBRD, US\$ 650 million (2002), US\$ 14 billion (1992–2002) – official government data

**5. Per capita direct foreign investments:**

US\$ 2.5 (2002); US\$ 50 (1992–2000) (for comparison: US\$ 564 in Kazakhstan, US\$ 30 in Tajikistan, US\$ 92 in Kyrgyzstan, US\$ 176 in Turkmenistan) – Economist Intelligence Unit

**6. Economic freedom ranking:** 149<sup>th</sup> position among 156 countries studied (2003) – Heritage Foundation, *The Wall Street Journal*

**7. Corruption index:** 68<sup>th</sup> position among 102 countries studied (2002), (for comparison, Kazakhstan is in the 88<sup>th</sup> position) – Transparency International

**8. Foreign assistance to SMEs:** US\$ 180 million (1996–2003) – the EBRD

**9. Defence spending:** US\$ 1,797,000 million, US\$ 70 *per capita*, 2.9 percent of the GDP (2002), (for comparison, US\$ 265 million in Kyrgyzstan) – The Military Balance 2003–2004

**10. Defence Ministry budget:** US\$ 74 million (2001), US\$ 46 million (2002, 2003) – The Military Balance 2003–2004

<sup>1</sup> Uzbekistan is one of the seven CIS countries with the lowest revenue (the remaining six include Armenia, Azerbaijan, Georgia, Moldova, Kyrgyzstan and Tajikistan). Turkmenistan is not included in this list because insufficient data is available. Among those seven countries, Uzbekistan reported the lowest GDP growth between 1998 and 2003, i.e. 2.7 percent (3.6 percent in Kyrgyzstan, 7.1 percent in Tajikistan), and also in 2003: 0.3 percent; in: IMF, World Economic Outlook, 2003. It should be noted that GDP figures usually quoted by the government of Uzbekistan are higher.

<sup>2</sup> The term "clan" in Uzbekistan refers to people coming from the same region rather than people who are related. There are five major clans in Uzbekistan, namely the Khozrezm, Surkhandarya – Qashqadarya, Samarqand, Tashkent and Ferghana clans; the latter three top the clan hierarchy.

<sup>3</sup> According to the World Bank report published in mid 2003, more than 1/4 of the population of Uzbekistan live in poverty, and 1/3 of them fall below poverty line.

<sup>4</sup> In early July this year, president Islam Karimov signed a regulation providing for a 30-percent rise of salaries in the public sector (the minimum monthly salary will rise to 6530 soms, i.e. US\$ 6.40 US\$, and the minimum old age pension to 12920 soms, i.e. approx. US\$ 12.80 as of 1<sup>st</sup> August).

<sup>5</sup> According to unofficial sources, 500 to 700 thousand people leave to seek employment each year; in: "Central Asia: A Last Chance for Change", ICG Asia Briefing Paper, 29<sup>th</sup> April 2003, www.crisisweb.org

<sup>6</sup> According to official data, 12 thousand in 2000 and 24.6 thousand in 200, in: Kazakhstan: The 2003 Statistical Yearbook. Real figures are presumably several times higher because a massive majority of those stays are illegal.

<sup>7</sup> In 2003 and 2004 reports appeared on a growing number of women from Uzbekistan who work as prostitutes, e.g. in the largest city of southern Kyrgyzstan – Osh, in: www.iwpr.net

<sup>8</sup> Due to objective geographic and climate difficulties, farmers are dependent on the local state structures for technical assistance including permanent and regular supply of water.

<sup>9</sup> E.g. as the centre controls cotton revenues, local officials make up for lost revenue at the expense of the local people, for example by demanding higher bribes.

<sup>10</sup> Presently the cotton sector is controlled by Elyor Ganiyev who heads the Agency for Foreign Economic Relations.

<sup>11</sup> There are three kinds of agricultural farms in Uzbekistan: sherkat (a contemporary version of the Soviet kolkhoz), large private farms, and dekhon (small vegetable plots whose produce is sold in bazaars). The main crops grown in the former two types include cotton and grain – the sherkat and large private farms are the principal instrumental in the implementation of the state's agricultural policy, since only in the small plots are farmers free to decide what to grow, in: "Uzbekistan's Reform Program: Myth or Reality?", in: www.crisisweb.org, 18<sup>th</sup> February 2003.

<sup>12</sup> Companies procuring raw cotton are controlled by the government and the state-owned monopoly Uzkhlopkoprom procures 98.7 percent of the production volume.

<sup>13</sup> Figures quoted on 13<sup>th</sup> February 2004 by the State Statistics Committee of Uzbekistan.

<sup>14</sup> Interestingly, the Andijan district that tops the ranking of cotton producers and achieves the production targets saw the fewest changes in the hokim's office between 1993–2002, in: Alisher Ilkhamov, "The Limits of Centralization. Regional Challenges in Uzbekistan", p. 170, in: The Transformation of Central Asia. States and Societies from Soviet Rule to Independence, ed. Paulina Jones Luong, Cornell University Press, New York 2004, p. 159–181.

<sup>15</sup> Amro Bank is the only foreign bank that has a branch in Uzbekistan.

<sup>16</sup> Banking secrecy is not kept, and banks readily provide information on the operations in their customers' accounts to the state authorities.

<sup>17</sup> Under cover of different activities, specialist companies provide bank withdrawal services and collect commission on cash withdrawals from the banks. This is why non-cash money is cheaper.

<sup>18</sup> Bank officers profit from reinforcing this corruption-generating system.

<sup>19</sup> Delays in the payment of salaries and benefits occur from time to time. Recently, this provoked a growing number of strikes and demonstrations (e.g. workers of the refinery and chemical plants in Ferghana protested in August 2003, followed by old age and disability pensioners in Andijan in January 2004, and in December 2003, attorneys went on strike to protest against too low salaries).

<sup>20</sup> They were allowed to purchase foreign currency at the state-defined rate, which is lower than in the black market, and then resold it in the black market cashing in profits on the exchange rate difference.

<sup>21</sup> It should be remembered that the economic policies of Uzbekistan are largely run by people from the post-communist nomenklatura with limited qualifications in economy, and the administrative apparatus that implements the economic policy is also unprepared to act in market economy conditions. The bureaucracy in Uzbekistan saw the smallest degree of personnel change among all Central Asian countries, in: "The Failure of Reform in Uzbekistan: Ways Forward for the International Community", www.crisisweb.org, 11<sup>th</sup> March 2004.

<sup>22</sup> In 2001, such establishment employed half of all employed people in Uzbekistan. Data provided by the World Bank; in: "Political Obstacles to Economic Reform in Uzbekistan, Kyrgyzstan and Tajikistan. Strategies to Move Ahead", Pauline Jones Luong, www.cis-7.org, January 2003.

<sup>23</sup> It is difficult to estimate the amount of direct and indirect expenses to this end. Uzbekistan was forced to subsidise its large enterprises also from foreign loans.

<sup>24</sup> Corruption is high, though its level is similar to other countries in the region. In the Transparency International Corruption Perceptions Index 2002, Uzbekistan is in the 68<sup>th</sup> position among 102 countries studied; www.transparency.org

<sup>25</sup> The decree "On regulation of the import of goods to the territory of Uzbekistan by private persons" dated 6<sup>th</sup> May 2002.

<sup>26</sup> www.ebrd.org

<sup>27</sup> The Agreement Establishing the EBRD contains a provision on assisting reconstruction and economic develop-

ment in those countries that work towards implementing democracy, pluralism and market economy.

<sup>28</sup> Presently, annual commitment of the ADB in Uzbekistan amounts to approx. US\$ 150 million, [www.adb.org](http://www.adb.org).

<sup>29</sup> Net direct foreign investments. Data of the EBRD. There is a clear discrepancy between this figure and official data: the amount quoted by the Uzbek government for the same year is US\$ 650 million.

<sup>30</sup> In the period from independence to the end of 2000, *per capita* investments amounted to US\$ 37, i.e. were slightly higher than in Tajikistan (US\$ 30), in: [www.eiu.com](http://www.eiu.com)

<sup>31</sup> BEEPS research (Business Environment and Enterprise Performance Surveys) carried out by the EBRD and the World Bank in 1999 and 2002, in: Franklin Steves, Samuel Fankhauser, Alan Rousso, "The Business Environment in the CIS-7 Countries", February 2004, [www.cis-7.org](http://www.cis-7.org).

<sup>32</sup> The German economic mission closed down after working in Uzbekistan for 10 years. Trade exchange between the two countries dropped from EUR 500 million in 1997 to EUR 225 million in 2003 Source: "Are German business withdrawing from Uzbekistan?", InoSML.ru, *Frankfurter Allgemeine Zeitung*, 29.06.2004.

<sup>33</sup> Uzbekistan Country Brief 2003, [www.worldbank.org](http://www.worldbank.org).

<sup>34</sup> Even within the Samarqand clan, loyalty to president Karimov should not be taken for granted. In the past it was noted that the clans present leader Ismail Jurabekov was prone to challenge Karimov.

<sup>35</sup> According to experts Shavkat Mirziyayev may not succeed Islam Karimov as president.

<sup>36</sup> There were a lot of questions about the terror attacks of late March and early April this year. In May 2004 it was frequently claimed that they could have been carried out only with the knowledge and approval of the security apparatus whose members were either directly responsible or had given a discreet consent. The general public in Uzbekistan believes that it is possible to buy people ready to carry out suicide attacks in return for a compensation paid to the bomber's family. In unofficial conversations, even security officers admitted that the society's financial situation is so poor that people may indeed be willing to carry out an attacks for money. Based on interviews performed by CES staff Uzbekistan in May 2004.

<sup>37</sup> Tajiks account for approx. 5 percent of the population of Uzbekistan. Most of them live in Bukhara and Samarqand, the historic centres of Tajik culture and statehood.

<sup>38</sup> On 4<sup>th</sup> September 2003, the Tojikiston daily published in Tajikistan publicised an appeal of Tajiks from Samarkand calling for the barriers to educational and cultural development of Tajiks in Uzbekistan be removed. The authors requested the Tajik president Emomali Rahmonov's assistance in this matter. The situation of Uzbek Tajiks resettled in 2000 from the area near the Tajik border to inner Uzbekistan is dramatic after they have been moved to the infertile areas near Sherabad.

<sup>39</sup> The Ministry of Defence budget decreased by US\$ 28 million (from US\$ 74 million to US\$ 46 million) between 2001–2002 and the duration of military service was reduced from 18 to 12 months. However, security spending (a category that includes the Ministry of Defence budget) increased

from US\$ 1750 million to US\$ 1797 million during the same period, in: "The Military Balance 2003–2004", The International Institute for Strategic Studies, Oxford University Press, London 2003.

<sup>40</sup> "Central Asia: The Politics of Police Reform", 10<sup>th</sup> December 2002, [www.crisisweb.org](http://www.crisisweb.org)

<sup>41</sup> Opponents of president Karimov claim that the attacks were prepared and carried out by the authorities seeking a pretext to step up the campaign against radical Islam.

<sup>42</sup> Memorial, Spisok arestovannikh i osuzhdionnikh po politicheskim i religioznym motivam v Uzbekistanie – dekabr 1997–avgust 2001, Moscow 2001.

<sup>43</sup> The authorities of Uzbekistan have long denied the use of torture in prisons, even though the use of torture in Uzbekistan had been widely reported long before the official admission in Brussels (27<sup>th</sup> January 2003) by the foreign minister Sodik Safoyev that torture does take place but not on a systemic basis. During his speech at the EBRD session in Tashkent on 4<sup>th</sup> – 5<sup>th</sup> May 2003 president Karimov did not even mention torture, contrary to the Western visitor's expectations.

<sup>44</sup> "Uzbekistan: The Key to Success in Central Asia", Lorne W. Craner, Assistant Secretary of the US Department of State Bureau for Democracy, Human Rights and Labor, 15 June 2004, [http://www.house.gov/international\\_relations/108/cra061504.htm](http://www.house.gov/international_relations/108/cra061504.htm)

<sup>45</sup> Following the intervention of Western organisations, the media and the British ambassador, the imprisonment sentence was replaced with a fine.

<sup>46</sup> The author was surprised at the outrage and openness of people criticising the authorities' doings – the public is much more openly angry than it was in the autumn of 2002.

<sup>47</sup> In an effort to create an appearance of political pluralism, it is usually the authorities who inspire the formation of new parties. The task of legally operating parties including Adolat (Justice), Milli Tiklanish (National Revival), Fidokorlar (Patriots), and the Party of Farmers and Entrepreneurs, is to mobilise certain social and professional groups. They hardly succeed as the society refused to be involved in a political farce: people interviewed for this paper were frequently unable to name parties existing in Uzbekistan, let alone their programmes. The Party of Free Farmers (Ozod Dehqon Partiasi) is a real opposition formation. It is involved in large-scale propaganda activities, but has not been able to obtain a registration.

<sup>48</sup> They were banned back in the first half of the 1990s and their leaders forced to leave the country. Abdurahim Pulat, the leader of Birlik, lives in the US, and Muhammad Solih who heads Erk in Norway. Muhammad Solih (*persona non grata* in Uzbekistan) is accused by the authorities of links to terror organisations and involvement in the preparation and carrying out of the bomb attacks in February 1999

<sup>49</sup> For example, president Karimov's statement of 4<sup>th</sup> April 2002 in which he said he was ready to meet the émigré activists provided they abandoned their ambition to forcefully abolish the system.

<sup>50</sup> Especially Human Rights Watch, Freedom House, and Open Society Institute of George Soros.



<sup>51</sup> On 14<sup>th</sup> April, the Ministry of Justice refused to extend the permit for the Open Society Institute, an organisation that had spent US\$ 22 million on various programmes in Uzbekistan since 1996 and managed a portion of American aid to the country (e.g. as part of USAID).

<sup>52</sup> For a long time the public was unaware that the authorities had made the Khanabad base available to the Americans.

<sup>53</sup> In August the Defence Ministry notified editors that they were required to send all articles on security, military and similar matters to the Ministry for "consultation".

<sup>54</sup> For example, in February and March 2003 three journalists were arrested, and one of them was imprisoned for alleged links to Hizb ut-Tahrir; the *Milli Talim* (National Education) paper affiliated to the Ministry of Education was closed down for "grammar errors", and another – Adolat (Justice) was suspended; in: "Uzbekistan: Rights Groups Say Press Crackdown Under Way", www.rferl.org, 6<sup>th</sup> March 2003.

<sup>55</sup> It is easy for the authorities to control Internet users in Uzbekistan who numbered only 310 thousand in 2003.

<sup>56</sup> The police also resort to provocation. Internet cafe staff members may be held accountable if the police catch them tolerating users visiting the banned websites, www.forum18.org

<sup>57</sup> Under Article 8 of the Law on religion, any citizen with "adequate education" may be a religious leader. This means that the authorities only approve those who have completed the *madrassas* (Muslim schools) strictly controlled by the state, and successfully passed the exams in which state officials are among the examination boards.

<sup>58</sup> Because of its territorial character and the importance of the worship of local saints, popular Islam is not susceptible to external influence and the believers show little interest in Muslim literature published abroad.

<sup>59</sup> This includes systematic renovation of places related to the Sufis (the completely overhauled religious complex near Bukhara which is related to Bahauddin Naqshbandi, the founder of the Naqshbandiyya brotherhood, is enormously impressive), as well as cooperation with the Islamic Supreme Council of America, a organisation of the Naqshbandiyya brotherhood supporters in the US which was invited to act as observers during the 2000 presidential elections.

<sup>60</sup> According to conservative estimates, Hizb ut-Tahrir may have 15–20 thousand members in Central Asia and at least as many supporters. A massive majority of them act in Uzbekistan, and the organisation is growing in numbers. According to unconfirmed information, Hizb ut-Tahrir supporters are found among the medium level administration officials.

<sup>61</sup> After several warnings that assistance to Uzbekistan would be limited if the human rights situation did not improve, on 13<sup>th</sup> July the Department of State communicated that US\$ 18 million worth of assistance had been suspended.

<sup>62</sup> Turkmenistan should be regarded as a totalitarian state.

<sup>63</sup> People interviewed in Uzbekistan estimate that approx. 80 percent of the society are opposed to the policy of the authorities who verbally supported the US operation in Iraq. It is believed that the real motives behind the US inter-

vention are to reinforce its dominance in the world and to control Iraqi oil. Based on interviews by Centre for Eastern Studies staff, Uzbekistan, May 2004.