



# Reform and Change in Uzbekistan

Mirziyoyev's reforms are being received positively by the people, as well as by the strategic community in the region. Some of the changes, like improving relations with neighbors, are welcome and praiseworthy. However, one needs to be 'cautiously optimistic' about these reforms.

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It is widely believed that Central Asia had entered a **new phase of “multilateral cooperation”** that has taken place since Shavkat Mirziyoyev came to power in 2016. Uzbekistan has recently gone through a ‘smooth’ political transition. The country was led by Islam Karimov for almost 25 years since independence. After his death in 2016, then Prime Minister Shavkat Mirziyoyev became the President. Mirziyoyev’s emergence as the new leader was barely surprising, as he had served as country’s Head of Government for more than a decade.

Recent events suggest that he is using this new position to implement reforms that will affect Uzbekistan’s position in the region and conditions within the country. For instance, four Central Asian presidents, excluding the head of Turkmenistan, met in Astana in March 2018 for the first regional summit in almost a decade, which was perceived as a sign of improving regional ties triggered by the change of authority in Uzbekistan. In fact, it is obvious that Tashkent introduced **an open-door policy** to liberalize the national economy and launched **a policy of openness** paying special attention to the Central Asian neighbors. The wide range of issues that could not be resolved during the presidency of Islam Karimov, was easily raised and openly addressed under the new Uzbek government. The most obvious example is the case of the Rogun dam, the construction of which has been a stumbling block of relations between Tajikistan and Uzbekistan. Claiming that water flows would be seriously decreased in case the dam was built, Tashkent curtailed its relations with Dushanbe. Since the early 2000s, the two Central Asian countries were in a state of hostility, conflict, and lack of confidence. However, right before the summit in Astana, President Mirziyoyev visited Tajikistan where the parties announced the possibility of Uzbekistan’s participation in the construction of the Rogun dam. Such a situation demonstrates that the change of power could cause the process of reform of both internal and external policies.

However, if we look at the situation without “rose-colored glasses,” it becomes obvious that all steps that the Mirziyoyev administration is trying to make are nothing more than an attempt to simply restore the relations of good-neighborliness with a high degree of economic complementarity between the Central Asian Five that the countries of the region enjoyed during the Soviet period. If one argues from this point of view, all efforts to reopen roads and railways, the crossing points on the borders, the simplification of visa regulations, and the resolution of border disputes all could be classified as a desire to take Central Asian states back to the past. During that time, Uzbekistan, located in the very heart of the region, could monitor and control the flows of goods, energy and labor force via its borders. In fact, as Tashkent itself severed the links with the rest of the regional states in the years after independence, so it should logically follow that it is the one responsible for resuming regional dialogue.

**Uzbekistan is a strategically important country.** It is centrally located in Central Asia, and borders all other Central Asian Republics (CARs) and Afghanistan. It is also the most populous country in the region, having ethno-cultural linkages with all the neighbors. Therefore, *any major political event in Uzbekistan is bound to have a profound impact on rest of the region.*

As highlighted by the example above, Uzbekistan’s relations with the neighboring countries is experiencing a sea change in the last year alone. This was evident from opening up of the border crossing points, improvement in transport and connectivity, and increase in bilateral trade between Uzbekistan and other CARs. The regional leaders are meeting each other more often than before, and have shown

greater willingness to solve the long-pending issues, like border demarcations and hydropower projects. This has created a positive environment of regional cooperation in Central Asia.

Aiming to remove the physical and non-physical barriers to establishing high-quality transport and logistics infrastructure in the region, and providing the opportunity for easy linkage to markets of Russia and Central Asian states, Uzbekistan implements its transportation policy by focusing on strengthening collaboration with both regional powers and the Central Asian partners. For instance, in 2016 following the talks between high-ranking officials, Tashkent and Astana agreed on the improvement of the Kazakh-Uzbek relations and streamlining trade. In fact, the agreement provides the establishment of the trade zone in the former South Kazakhstan region, namely, on the border between the two countries. Moreover, the parties agreed to grant discounts on transportation of the Kazakh grain and flour in 45-foot dry cargo containers to Uzbekistan, as well as the transit of Uzbek fruits and vegetables and other agricultural products via the territory of Kazakhstan to Russia. Furthermore, the sides reached an agreement to reopen the Highway M-39. After commissioning a 24-km long section of the road via the territory of the Maktaaral district of the former South Kazakhstan region, there was no need to use the 78-km long bypass road in Uzbekistan. Likewise, during his first official visit as president of Uzbekistan, Mirziyoyev together with his Turkmen counterpart Gurbanguly Berdymukhammedov opened the new railway bridge across the Amudarya River. As for Tajikistan, in 2017-2018 the parties resumed direct flights between Tashkent and Dushanbe for the first time in 25 years, abolished the cumbersome visa regime, and resumed operations at border checkpoints (highways and rail), all in efforts to revive air, road and rail connectivity between the two countries. At the time of this report, 10 of the 16 border checkpoints are open for normal traffic, as is a critical railway line. Under these circumstances, by strengthening regional connectivity, *Uzbekistan basically is on its path to put the situation back to a previous sense of "normalcy."*

Finally, Tashkent is interested in restoring relations with the Central Asian states in order to give a new impetus for the development of the Uzbek energy sector. In fact, in 2017, the Kazakh and Uzbek authorities signed the energy cooperation agreement, under which Kaztransoil, agreed to ship Russian oil via the Omsk-Pavlodar-Shymkent pipeline to the Shagyr oil loading station and then transported it by rail to Uzbekistan. The parties even could build a 95-km long oil pipeline, which is supposed to connect with a new oil refinery in Uzbekistan's Jizzakh region. Moreover, in order to address the shortage of the hydrocarbons, Mirziyoyev reached an agreement on the Turkmen oil shipments to Uzbekistan. The Turkmen light oil from the Kiyanly field developed by the Malaysian Petronas, as well as from the fields developed by the Chinese CNPC would be delivered to the Bukhara refinery in Uzbekistan. As a result, the strategy towards Central Asia also covers the issues of ensuring energy security of Uzbekistan.

While a great deal of attention is being paid to external relations, the internal political and economic environment is also being addressed. After coming to power, Mirziyoyev introduced 'reforms' in various arenas, which were collectively termed as the 'Strategy of Actions for Development, 2017-2021'. This strategy covers five Priority Areas, including administrative and legal reforms, economic liberalization and diversification, social harmony, and the above-mentioned area of foreign policy. Over 300 decrees have been signed, more than 50 public agencies have been closed, created, or restructured, and over 100 functional reviews have been taken – primarily to streamline efforts and discover where the real obstacles

exist. The government has announced that it will put in place all the necessary machinery to ensure the speedy and effective implementation of these reforms.

These reforms have been received positively by the citizens of Uzbekistan. At the domestic level, the government is opening up and is becoming more and more accessible for the common Uzbek people. The Uzbek national currency was recently made freely convertible, putting stern control over the black market. Administrative hurdles and corruption remain key concerns and the rhetoric expressed by the government suggests that they will also be dealt with in an effort to ensure transparency in governance. These steps are welcomed by the people, as suggested in polling data.

The government has created new free economic, improved the legal and economic conditions of running business, and initiated reforms in the tax and education systems. It is no exaggeration to say that one of the main changes introduced by the new leadership is the currency reform, which has made the Uzbek national currency freely exchangeable. In 2017, the Central Bank of the country devalued the som in relation to foreign currency by almost 96 percent. Within the frameworks of the Mirziyoyev's decree on priority measures for liberalizing the foreign exchange policy individuals and legal entities were allowed to freely sell and buy foreign currency. Moreover, the requirement for the mandatory conversion of export revenues for exporters was completely abolished. In fact, mentioned steps could definitely be classified as economic liberalization aimed at further strengthening the macroeconomic stability. However, the lack of convertibility of the national currency so as the currency conversion restrictions created a barrier for comprehensive development of both civil society and business activity in the country.

The liberalization measures have long been considered an inherent part of a broader process towards achieving the stable development of the country. It has been stated that the actions of the Mirziyoyev administration are innovative tools that can be used to address internal problems. However, such a vision exaggerates the importance of reforms implemented by the new head of Uzbekistan. In fact, the current president is not intending to transform the model of governance completely. As a close ally of the first president of Uzbekistan, **Mirziyoyev shares and defends the same values and the same belief that economic and social activity must be closely monitored by the state.** The only difference is the forms and formats of surveillance. It is no doubt that the implemented changes have improved the lives of ordinary citizens, however Uzbekistan is at the very beginning of the long way to democratization and economic liberalization.

What can be said of the support these reforms have within the political elite of the country? It must be pointed out that Mirziyoyev's candidacy for the position of president was fully supported by the current elite groups and clans, which suggests that others believed his reforms were long overdue. Indeed, immediately after Karimov's death, the issue of power succession was solved very fast and peaceful. No doubts have arisen regarding the presidential election results in Uzbekistan since the elites had already made their choice. Therefore, Mirziyoyev's electoral victory marked the beginning of a period of resetting the image of the country, but under most of the same authorities. There were some noticeable exceptions: Mirziyoyev was quick to get rid of the strong competitor in the person of the head of National Security Service Rustam Inoyatov, who was dismissed in the beginning of 2018.

The Strategy of Actions has also raised some pertinent questions. Mirziyoyev had functioned as country's Prime Minister for more than a decade before becoming the President. Nevertheless, his sudden

realization about country's 'sorry state of affairs' was in a way surprising. The hasty introduction of reforms, in possibly every sphere of human life, can also be seen as denial of his predecessor's contribution in country's development and national-building.

Critics have debated over whether these actions can be termed 'reforms' in true sense. They are bringing about real 'structural' changes in some sectors; whereas in some others, they are just carrying forward what Karimov had already started. So, to put all these actions in one basket and marketing them as all-encompassing reforms is slightly misleading.

The motives and intention behind the reforms cannot be established right away. Some pertinent questions arise out of this, like, whether these reforms are structural or just reactionary? Do they represent just one man's agenda or address larger national interest? Are they bringing about real change or just creating utopia? Moreover, will they last long enough to create positive socio-political and economic environment in the country and the region? These questions can be answered only after some years, when the Actions Strategy will start showing results on ground.

The haste with which these reforms were introduced is also a bit disconcerting. A few laws can be changed overnight; however, processes that involve serious systemic changes, socio-political inclusion, and a need to fundamentally change people's attitudes take time. Evolutionary processes are often more reliable and sustainable than revolutionary ones. The World Bank, for example, plans to work on an 'institutional capacity building roadmap' with the government of Uzbekistan, in order to create a phased approach to these reforms. Rightly so, concerns about capacity, absorption, and technical knowledge all need to be addressed. The good news is that Uzbekistan's real growth rate, while slowing to 5.3 percent in 2017, is still positive and viewed by IFIs as one that can increase if reform efforts are rationally introduced.

Moreover, instead of going into each field separately, just one overarching Strategy was introduced covering all arenas. However, the implementation will take different pace and time in different sectors. Results are already visible in fields like economic liberalization, ease of doing business and inviting foreign investments. Similarly, it has shown commendable results in foreign policy, especially with regards to improving relations with neighbors. But in political, administrative and social spheres, the results will come about in a few years.

Another key question here is whether this strategy will lead to democratization? It was introduced through a presidential decree, which was then put for discussion in policy circles, academia, media and people. In a democratic set-up, the process is generally other way round. When might one see developments at other levels of government and society?

So what questions arise when looking at the totality of these reform efforts? **Mirziyoyev's reforms have been centered on the reconnecting the state to the region, breaking the cycle of isolation.** The reforms in the Uzbek economy will definitely open up the country for foreign investment and cooperation. However, the above-mentioned processes will need time to be fully implemented. Besides, the practical results of the reforms may be different from the originally intended ones. Therefore, while shaping

strategy towards Uzbekistan it should be taken into account that there is still a possibility of a rollback of crucial reforms. Like Karimov, Mirziyoyev will try to secure additional space for geopolitical maneuvering while refusing to succumb to outside pressure from any side.

With respect to an immediate neighbor, Tashkent will definitely be interested in strengthening ties with the West on the issue of Afghanistan talks. In fact, in August 2018 the delegation from the Afghan Taliban met officials in Uzbekistan during a five-day trip. This is evidence of Uzbekistan's potentials as a mediator in the Afghani crisis settlement. It appears that Tashkent is on the track to be strongly involved in the peace talks, which could be properly used by its western partners.

In the end, the Mirziyoyev regime is seen as walking the extra miles to popularize the Strategy amongst the people of Uzbekistan, as well as the world community. The government is publishing books, articles, posters and pamphlets, conducting talks, seminars, and conferences in Uzbekistan and in other countries to let people know about their reforms. The Embassies of Uzbekistan are instructed to spread the word in their respective countries. This kind of 'over exuberance' and hyper-activity of the state machinery is understandably raising a few eyebrows. In the nutshell, Mirziyoyev's reforms are being received positively by the people, as well as by the strategic community in the region. Some of the changes, like improving relations with neighbors, are welcome and praiseworthy. However, one needs to be 'cautiously optimistic' about these reforms.

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