



## KEY REFORMS | Fall 2020

### Civil Society/Human Rights Reforms

Freedom is on the march in Uzbekistan. The new mindset that has been introduced by President Mirziyoyev creates a more civil society that supports human rights chiefly among other ESG issues. The government is transforming into a protector and guarantor of rights, rather than serving as a source of oppression. The President and Parliament are ushering in freedom of speech and of the press, gender equity, and religious tolerance, while banishing child labor, forced labor, coercion, torture and human trafficking, among other abuses. Among the highest priorities in President Mirziyoyev's plan is labor rights reform, which has achieved astounding success by reducing the rampant use of forced labor in the cotton harvest by 40 percent year-over-year to less than 5.9 percent in 2019. That number is expected to drop to near zero in 2020, after the country removed the last major systemic incentives, quotas and price setting and criminalized the act.

### Governance and Judicial Reforms

In order to achieve these new freedoms, Uzbekistan took radical steps to change the way it operated. Among the first items on the agenda was to reshape elections and representation. Greater competition was introduced in the country's political parties. A redistribution of power shifted the balance toward Parliament and away from the President. Governors and Mayors began to be directly elected by the people, rather than appointed by the President. Not only were the people given a greater voice than they had ever had before, but their elected officials began listening tours to encourage participation in civic life. Representatives went out into their communities to see and meet people where they live, to hear their concerns. In the last four years, hundreds of new NGOs have been allowed into the country, along with independent and international media. Restrictions on social media have been lifted and a booming public conversation is already taking place as citizens share their public faces and voices. All of these major changes have been institutionalized through codification and simplification of laws. They have been made permanent by improving governance structures, increasing judicial transparency, and bolstering enforcement capabilities to punish violations appropriately.

### Agricultural Reforms

While Uzbekistan is a major producer of minerals and natural gas, agriculture is one of the country's main exports, including the #1 cash crop, cotton. For years, the government controlled the means of production in the Soviet style, setting quotas, prices and wages,



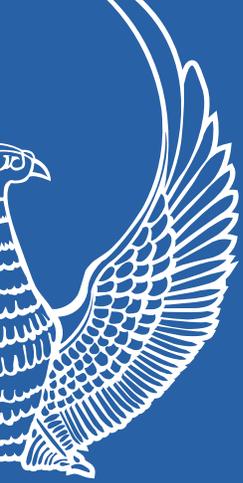
distributing land, water, seed, fertilizer, controlling all freight transportation and managing all exportation. Under Mirziyoyev, a privatization plan was introduced that created “cotton clusters” run by investors and businesses who took over some of the government’s former responsibilities. The clusters now compete to negotiate contracts with farmers. This gives farmers more choices on what crops they want to plant and grow, what costs they want to pay, and what prices they want to charge for their harvest. Workers are no longer forced or coerced into the fields and quotas have been eliminated. Competition has begun to increase productivity along with massive investments in farm machinery, diversification of crops, and the development of modern agricultural techniques.

### **Business and Economic Reforms**

Setting up these conditions for change is no small task. But, the program of reform could not be successful without a burgeoning economy that allows people to gain their own financial freedom. To emerge from stagnation of the previous decades brought on by isolation on the world stage, Uzbekistan began an outreach effort that opened new avenues for commerce and investment. This process began with loosening export controls, removing the requirement for export through the government, and increasing the share of export revenues in foreign currency to the government. A unified exchange rate and planned permission for private foreign exchange services brought more consistency and assurances to investors. Tax reform, with a simplification of the tax code and a reduction in taxes, made it easier for businesses to compete globally. Further, a greater emphasis was placed on creating jobs and training, especially for young workers who would make up the future base of the economy. All of this was quickly noticed by the international investment community, and ignited an influx of interest. The marquee change, however, was privatization of state-owned enterprises to remove the government as the overarching central figure and serve a more appropriate oversight and enforcement role.



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### **Environmental Reform**

Environmental stewardship has also risen to the top of the reform agenda. Uzbekistan is a country that has already experienced the results of a changing climate. The Aral Sea, once the fourth largest lake on earth, has shrunk to just 10 percent of its original size, severely affecting the entire region. Soviet-era mega projects further exacerbated the problem by diverting rivers that fed the lake in order to irrigate the desert. The change has been so dramatic, the eastern basin of the lake is now effectively dry and known as the Aralkun Desert. To manage this challenge, Uzbekistan is encouraging global action while investing in funds to improve technology, develop “green” solutions, and innovate on irrigation, water use, agriculture and food production.

### **Infrastructure Reform**

Along those same lines, the country's infrastructure can not only be a catalyst for change, but a physical representation of that change. In recent years, the government has encouraged private investment in renewable energies that can decrease dependency on fossil fuels. Solar and wind farms are growing in number and magnitude. As a double land-locked country,

Uzbekistan is particularly dependent on its transportation system to bring goods to market. As international trade increases, the need for new roads, bridges, tunnels, and railways has burgeoned. Massive construction and development projects facilitate transit, while creating jobs. Investments such as these in physical infrastructures benefit all society. Re-building the country for the 21st century will lay a literal and figurative foundation for long-term economic revitalization.