



Uzbekistan: The Key to Success in Central Asia?

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Madame Chairwoman, thank you for the opportunity to appear before your Committee today. The strategic goal of the United States in Central Asia is to see the development of independent, democratic and stable states, committed to the kind of political and economic reform essential to modern societies, and on the path to integration into the world economy. This strategy is based on the simultaneous pursuit of three interrelated goals.

The first of these goals is security. Our counter terrorism cooperation bolsters the sovereignty and independence of these states and provides them the stability needed to undertake the reforms we feel are in their long term interest. In order for these nations to achieve their potential, they must allow for greater transparency, respect for human rights, and movement toward democratic politics. Finally, the development of Central Asia's economic potential, including its extensive natural resources, requires free market economy reforms and foreign direct investment. This is the only way to improve the well-being of the region's people, diversify world energy sources, and facilitate the movement of these countries into the global economy. We seek a balance among all three of these objectives, recognizing that they are interlinked, and that failure to achieve any one of them will likely prevent us from securing the other two.

Central Asia has major strategic importance for the United States, and Uzbekistan inevitably assumes a key role in our policy toward the region. It occupies a core position in Central Asia: it is the only country that borders all Central Asian countries as well as Afghanistan. It has by far the largest population, constituting roughly 46% of the region's total. It is the guardian of a centuries-long tradition of enlightened Islamic scholarship and culture, and it boasts the largest and most effective military among the five countries.

Uzbekistan felt the intense pain of terrorism once again with the dramatic attacks in late March-April in Tashkent and Bukhara. It has long understood the need to confront the danger of extremist elements who would use violence to further their narrow-minded, misguided goals.

The United States and Uzbekistan enjoy strong security cooperation. Uzbekistan has been an early and outspoken supporter of the war on terrorism. Indeed, it has played a critical role in Operation Enduring Freedom in Afghanistan, and provided the military base at Karshi-Khanabad, now home to roughly 1,500 U.S. servicemen and women, without rent or as part of a broader defense agreement. Uzbekistan was one of the first countries to sign an "Article 98" agreement with us allowing U.S. nationals to be exempt from prosecution by the International Criminal Court. Over the past decade, we have developed a close working relationship with the Uzbek military that has allowed it to bolster its capabilities and professionalism.

But Uzbekistan also has some very real problems. The country with the most promise in the region at the time of the breakup of the Soviet Union, it has unfortunately not lived up to its economic or political potential. It adopted a slower, more cautious, approach toward economic reform than its neighbors since independence in an effort to avoid - or postpone - the inevitable economic dislocations.

The costs of this conservative policy are now becoming increasingly obvious. While some of the other countries in the region have entered a period of significant growth in recent years, Uzbekistan's economy has stagnated. The absence of agricultural reforms has led to a 30% decline in the cotton harvest, Uzbekistan's primary export, over the past decade. The industrial sector is mired in low value-added production, and is dependent on protectionist policies and state-guaranteed loans for much of its continued production. Uzbekistan has the lowest per capita foreign direct investment in the region. Growth might have been even slower, had Uzbekistan not enjoyed relatively high commodity prices for its two main exports, cotton and gold.

In the first few months after President Karimov's March 2002 visit to Washington and the signing of the Framework Agreement, there were indications that Uzbekistan planned to institute broader economic reforms. This momentum slowed dramatically, however, as various groups that would have been affected by reforms argued against further opening up of the economy. The only substantial step since that time has been Uzbekistan's accession in late 2003 to the obligations of the IMF Article VIII provisions which pave the way for a convertible currency, normally a crucial step on the path to a market economy. However, Uzbekistan accomplished this by severely limiting the amount of local currency available in the economy and sharply restricting trade. This included closing many traditional border crossings and shutting down several major bazaars. These steps, which technically allowed them to meet the criteria, ran directly counter to the spirit of Article VIII and its emphasis on encouraging the free movement of currency and goods. The negative effect on thousands of small businessmen and consumers across Uzbekistan was immediate and predictable. In addition, the heavy burden of administrative regulation on business registration, international trade and currency conversion provide all too many opportunities for corruption.

But there are some recent positive developments. In late May, Uzbekistan enthusiastically joined its neighbors in signing a Trade and Investment Framework Agreement with the United States. This will provide a forum for us to discuss trade issues and to work towards mutually beneficial solutions. These discussions, along with President Karimov's recently announced proposal for a free-trade zone in Central Asia, offer the possibility of increased regional cooperation, which is a vital necessity if Uzbekistan and its neighbors are to prosper and the region is to meet its economic potential.

The promotion of human rights and civil society reforms are equally critical for long-term stability. Uzbekistan's record on human rights and civil society reform remains poor. We have, however, seen some progress over the past few years, although not always at the rate we had hoped. In August 2003, Uzbekistan began a process to bring Uzbek law on torture into conformity with international standards. Dozens of police have been prosecuted under this law. The Ministry of Internal Affairs has shown welcome initiative in engaging in dialogues with human rights activists and NGOs. The Ministry announced a program that would allow human rights NGOs to conduct prison monitoring.

At the end of May, Uzbekistan broke new ground by inviting independent forensic investigators associated with Freedom House to observe the investigation into a May 19 death in custody. The international team concluded the death was a suicide and that there were no signs of torture. Uzbekistan has said this open investigation marked an important precedent. Following the March-April bombings, the government's measured response in rounding up suspects (approximately 150-200 remain in custody) stands in sharp contrast to the aftermath of the 1999 bombings when thousands were arrested.

Since independence, political reform has proceeded slowly, but there seemed to be some positive momentum in the past couple of years. After the November 2003 events in Georgia, however, the Government of Uzbekistan consciously moved to halt progress on democratic reform. It promulgated new rules to force all domestic and international NGOs to go through an onerous new registration procedure. We insisted that registration of U.S. NGO implementing partners be carried out in compliance with our bilateral agreements on the provision of assistance. As a result, almost all U.S. funded NGOs except the Open Society Institute were reregistered. OSI was not allowed to continue its work in Uzbekistan.

Although they were registered, the National Democratic Institute, the International Republican Institute, and Freedom House received warnings that if they continued working with unregistered political parties they would lose their status. No opposition parties have been registered. New banking regulations severely restrict the ability of our implementing partners to provide assistance to NGOs, communities, and even former weapons scientists.

A strong and stable Uzbekistan depends on the political empowerment of all its citizens and on an opening of civil society. The Government does tolerate meetings of unregistered independent political parties and small political demonstrations. But sustaining long-term stability will require the Government to do more to provide the people of Uzbekistan the ability to express their political views and to participate more fully in the civic life of their country.

Long-term stability will also require the Government and people of Uzbekistan to develop a way to advance religious freedom while restraining extremism. Fortunately, traditions of cultural and religious tolerance have been indigenous to Uzbekistan for over a millennium. Our challenge is to help our friends in Uzbekistan allow the faithful to rekindle these traditions, which had been suppressed during Uzbekistan's incorporation into the Soviet Union.

Madam Chairwoman, you asked that we discuss the determination and report the Secretary is required to make on Uzbekistan's progress in implementing the 2002 Strategic Partnership Framework. This would affect about \$18 million in planned Fiscal Year 2004 assistance to the Government of Uzbekistan. This Framework outlines progress that Uzbekistan and the United States would like to see made in the areas of human rights, national security cooperation, economic reforms, civil society, law enforcement cooperation, and freedom of expression and media. There is no deadline in the legislation, but a decision must be made soon to allow the expenditure of FY 2004 funds. It is unfortunate that no national security waiver was included for Uzbekistan in the legislation which would have allowed for a more nuanced approach to encourage compliance, since many of the programs potentially affected by this legislation support non-proliferation programs or are intended to increase respect for human rights. While I don't want to predict what the Secretary will decide, I do expect he will make his decision in the next few weeks.

Madame Chairwoman, I appreciate this opportunity to address you on this important topic. We believe Uzbekistan and the Uzbek people have tremendous potential and a bright future. We are also confident that a firm basis exists for a closer and stronger U.S.-Uzbek bilateral relationship. But much remains to be done. We look forward to working with you and members of this body to help Uzbekistan and its citizens achieve their potential and to promote the major U.S. strategic interests in the region. I'll be pleased to answer any questions. Thank you.

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 [BACK TO TOP](#)

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