

Britain as a 'force for good' in Central Asia Working Group: Uzbekistan paper¹

Overview of the Current Situation

Since 2016, President Mirziyoyev has garnered international praise for a programme of reforms that have sought to liberalise the economy, strengthen international relations and move Uzbekistan away from the excesses of the Karimov-era. He has done so by cautiously widening public space for dissent, reining in the more draconian tendencies of the security services, and taking steps to address the most egregious human rights concerns (notably in relation to forced labour and long-term political prisoners). However, particularly since the onset of COVID-19, efforts at liberalisation beyond the economic sphere have stalled and in a number of cases gone backwards. Despite some observers' hopes to the contrary there have been no obvious signs that, having secured a second term in office, President Mirziyoyev has sought to reinvigorate these slowing-to-stalled reform efforts. Signs point to the continuation of an approach of 'managed freedom' in the civic space and efficiency focused reforms within an authoritarian system, maintaining tight political control.

It is clear that, at present, the direction of travel in Uzbekistan in practice will not be towards greater political openness in the absence of sustained engagement on these issues, with a creative mix of pressure and incentives and the identification of suitable stepping stones. On the one hand, Uzbekistan's desire to make it self-more attractive to international investment should give opportunities for governance issues that help both economically and in relation to human rights, in line with the UK's 'force for good' commitments. On the other, Mirziyoyev's apparent intention to extend his presidency beyond the current two-term period and likely to life-long rule is prompting him to restrict civil freedoms. He will likely face the crisis of his presidency beginning from the next presidential term, and there is a high risk of him returning to the old, Karimov-style practices of ruling the country.

July 2022 saw the first serious crisis in the country since Mirziyoyev came to power. Attempts to change the constitution of the autonomous region of Karakalpakstan to remove its in principle ability to vote secede from Uzbekistan and other moves that would limit its autonomy, led to large street protests in Karakalpakstan, an autonomous republic being part of Uzbekistan, and a heavy crackdown that saw 21 dead, over 270 injured and ultimately led to the Government of Uzbekistan retreating on a number of its planned changes.² Apart from resorting to extremely violent measures of suppressing the protests, the trial of 22 protesters, still ongoing, is reminiscent of arbitrary trials in Stalin times, considering the absurd charges brought against them.

¹ This paper has been prepared through a range of different contributions from members of the 'Britain as a 'force for good' in Central Asia' Working Group. This informal Working Group brings together academics and NGO representatives from the UK and Central Asia to look at the role the UK can play to improve human rights and governance in the region. While this paper has been compiled from a range of different personal contributions, editorial decision making has been taken by the Foreign Policy Centre Director Adam Hug.

² Human Rights Watch, Uzbekistan: Police Abuses in Autonomous Region - Excessive, Lethal Force in Karakalpakstan, November 2022, <https://www.hrw.org/news/2022/11/07/uzbekistan-police-abuses-autonomous-region-protests>

Uzbekistan has sought to navigate the fallout from Russia's invasion of Ukraine by abstaining on major votes at the UN and publically recognising Ukraine's territorial integrity.³ The country has also played host to a significant number of Russians who have left the country over the course of the year, with real concerns that Uzbekistan (and its banking system) may act as a conduit for Russian nationals getting around sanctions. The impact of sanctions has also stalled previously live debate around whether Uzbekistan would join the Russian-led Eurasian Economic Union and whether it allows Russia to use Uzbekistan's jurisdiction for bypassing the sanctions regime (there are at least some signs of that).

UK-Uzbekistan Relations

Regional instability in the wake of the Russian invasion of Ukraine has helped hit recent trade between the UK and Uzbekistan, with a 63.8 per cent decrease in total trade over the last year driven by an 88.4 per cent drop in imports from Uzbekistan, after several previous years of income growth.⁴ Increasing exports to Uzbekistan is seen as a key strategic priority for the UK, with particular focus on education (as noted below) and high-end services (for example legal and architecture).

When looking at what role the UK should play in relation to human rights and governance in Uzbekistan it is important to note some of the mutually agreed commitments contained within the Partnership and Cooperation Agreement (PCA) with Uzbekistan signed in 2019.⁵ Its content broadly mirrors that of the previous EU Uzbekistan PCA to which the UK had previously been a party. Article 1 of the agreement lists states that *'the objectives of this partnership are:*

- *to support the independence and sovereignty of the Republic of Uzbekistan;*
- *to support the Republic of Uzbekistan's efforts to consolidate its democracy and to develop its economy and to complete the transition into a market economy;*
- *to provide an appropriate framework for the political dialogue between the Parties allowing the development of political relations;*
- *to promote trade and investment and harmonious economic relations between the Parties and so to foster their sustainable economic development;*
- *to provide a basis for legislative, economic, social, financial, civil scientific, technological and cultural cooperation; and*
- *to assist in the construction of a civil society in Uzbekistan based upon the rule of law.'*

Articles 4 and 5 of the agreement set out the terms of the proposed 'regular' political dialogue (at 'the most appropriate level and most appropriate forum) and states that it should include cooperation 'on matters pertaining to the observance of the principles of democracy, and the respect, protection and promotion of human rights, particularly those of persons belonging to minorities and shall hold consultations, if necessary, on relevant matters'. In practice we are led to understand that the structured political dialogue is proposed to take place annually (and in person where public health rules

³ See: Nikita Makarenko, Twitter post, Twitter, March 2022, <https://twitter.com/nikmccaren/status/1504341639862571013>; Bruce Pannier, Understanding Central Asia's Cautious Approach to Russia's Invasion of Ukraine, Foreign Policy Research Institute, March 2022, <https://www.fpri.org/article/2022/03/understanding-central-asias-cautious-approach-to-russias-invasion-of-ukraine/>

⁴ Department for International Trade, Trade & Investment Factsheets, Uzbekistan, November 2022, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1117957/uzbekistan-trade-and-investment-factsheet-2022-11-18.pdf

⁵ Foreign & Commonwealth Office, UK/Uzbekistan: Partnership and Cooperation Agreement [CS Uzbekistan No.1/2019], Gov.uk, December 2019, <https://www.gov.uk/government/publications/ukuzbekistan-partnership-and-cooperation-agreement-cs-uzbekistan-no12019>

allow), however the impact of instability both in the region and the personnel of the UK Government have delayed matters during 2022.

Furthermore, Article 64 commits the parties to *‘cooperate on all questions relevant to the establishment or reinforcement of democratic institutions, including those required in order to strengthen the rule of law, and the protection of human rights and fundamental freedoms according to international law and OSCE principles. This cooperation shall, as appropriate, take the form of technical assistance programmes intended to assist, inter alia, in the drafting of relevant legislation and regulations; the implementation of such legislation; the functioning of the judiciary; the role of the State in questions of justice; and the operation of the electoral system. They may include training where appropriate. The Parties shall encourage contacts and exchanges between their national, regional and judicial authorities, parliamentarians, and non-governmental organisations.’*

While the use of diplomatic language in the agreement is understandable, the UK’s approach needs to be based on the recognition that there is not currently a democracy to consolidate (or even real efforts to move towards democracy so far) and that civil society does not need constructing by the Government (as the Government is currently attempting through the creation of its own new foundations) but opening up to independent groups.

UK Ambassador Tim Torlot’s interventions on a number of human rights issues, including the case of journalist Agnieszka Pikulicka (and calling the Government out on their inconsistency regarding media freedom) and sexual harassment at the Nizami Ped Institute, have been noted and appreciated locally. Nevertheless, it would potentially be helpful to find ways in the Country Business plans to ensure that Embassies and Ambassadors feel supported and encouraged to be seen to be advocating for human rights both systemically and in specific cases. At a Ministerial level Lord Ahmad has visited Uzbekistan twice in 2021, a level of ministerial attention was well received though there is likely to be demand from the Uzbek side in enhancing cooperation at the Foreign Secretary and Prime Ministerial level in order to push further on some of the issues raised below.

The Working Group welcomes the UK’s seven mutually agreed (with the Uzbek Government) priorities for ODA investment in Uzbekistan through the Effective Governance for Economic Development in Central Asia project (Labour market reform; Tax and customs reform; Governance of state-owned enterprises; Government procurement; Green economy; Environment investment policy and; Town Planning). The Group also recognises that this will need to involve maintaining a working relationship with the Government.⁶ However, it will be important that this approach is kept under regular review to ensure meaningful progress in being made.

Education

The UK’s growing role in Uzbekistan’s education sector not only provides economic opportunities that the Government is keen to develop, but provides an opportunity to raise academic standards and increase academic freedom if the Government is able to support partners in that direction.

In 2002 Westminster International University in Tashkent (WIUT), a partnership between the UK’s Westminster University (which accredits the degrees) and the Uzbek Government (which oversees local administration and management), became the first international university in Uzbekistan. WIUT provides a range of courses such as business, computing and law that respond to the demands of the

⁶ FCDO, Development Tracker, Last Updated, November 2021, <https://devtracker.fcdo.gov.uk/projects/GB-GOV-1-300961/documents>

emerging economy and the Government's educational priorities, but does not yet cover potentially more challenging topics in the areas of social and political science. Given the nature of the Uzbek Government's approach to higher education academic freedom is far from what would be expected on campus in the UK, with some academics reporting they had been warned against publishing research or articles seen to be overtly criticising the Government. Bangor University and the University of Sunderland also have a partnership with MDIS (Management Development Institute of Singapore) Tashkent, validating a number of their business courses. They have recently been joined by the University of Law (the UK-based but Netherlands owned for-profit legal training institution) to provide consultancy around the development of a new International University of Law in Tashkent. There may be opportunities for the Government to work with UK universities around guidance or a code of ethics for operating in the country, with a view to encouraging universities to support greater openness on UK branded campuses in Uzbekistan. For example, they could be encouraged to abide by the same code of practice on freedom of speech as their parent organisation.⁷

The UK Government should explore opportunities to promote UK-Uzbekistan research networks and collaborations (especially in fields such as social science where the role of international partners may be able to facilitate greater openness) that help assist the development of local academics. It is important to ensure that a broad range of Uzbekistani citizens are able to apply for Chevening Scholarships, beyond those who would be offered opportunities by the El-Yurt Umidi Foundation (founded by President Mirziyoyev for the purposes of helping people onto Western university courses), with a need to encourage participation in degrees less commonly covered including social work, media literacy and public administration. Similarly, programmes such as the John Smith Trust should be encouraged to keep ensuring participation by members of independent civil society to avoid being dominated by participants close to the Government of Uzbekistan.

Members of the Working Group have suggested the need to assist the Government of Uzbekistan with developing degree courses on public administration (adapted to local needs and focused on practical and interactive exercises) that can assist the administrative reform process and capacity building.⁸

UK Education services firm Cambridge Assessments is playing a major role in supporting education reform in the country through a partnership that has led to the creation of initially 14 Presidential Schools across each regions.⁹ Although the schools report directly to the Cabinet of Ministers rather than the Ministry of Education, the stated goal is to use these schools to help spread new teaching practices and raise standards across the public education system. Cambridge are also working to develop a new evaluation framework for school standards inspections, including multiple inspectors and anonymous written components that the Uzbek Government would deliver with Cambridge providing monitoring and support. There is seen to be scope to help reform the administration of state exams, which are seen by many Uzbeks as being open to corruption, while UK companies are expanding

⁷ For example, Westminster International University in Tashkent should be urged to abide by the principles set out by the University of Westminster in its Code of Practice on Freedom of Speech, <https://www.westminster.ac.uk/about-us/our-university/corporate-information/policies-and-documents-a-z/code-of-practice-on-freedom-of-speech>; See also: University of Westminster, Equality, diversity and inclusion policies and procedures, <https://www.westminster.ac.uk/about-us/our-university/equality-diversity-and-inclusion/equality-diversity-and-inclusion-policies-and-procedures>

⁸ Discussions on these themes appear to be underway between Queen Mary University and the El-Yurt Umidi Foundation: Cooperation with El-Yurt Umidi Foundation and Queen Mary University of Great Britain discussed, August 2021, <https://eyuf.uz/site/view?id=498>

⁹ The schools are free to access boarding schools with a curriculum designed by Cambridge and a focus on encouraging critical thinking rather than rote learning. They are academically selective on entrance with 28,500 applicants for 560 places at the first four to open.

involvement in the nursery (kindergarten) sector. It is to be hoped that the UK Government is able to constructively support such partnerships (and appropriate linkages to the Department of Education and if appropriate Ofsted), whilst using its good offices to help ensure that curriculums delivered fall in line with international best practice.

Delivering Real Reform in the Economy

The Government of Uzbekistan has widely touted its commitment to reforming the country's economy, encouraging entrepreneurship and seeking to boost growth. Ownership in the agricultural sector has been radically reformed through the introduction of the 'cluster' model and efforts at privatising state owned businesses and other assets are progressing. However, there are real concerns about the extent to which ostensibly pro-business reforms are ending up with a transfer of wealth from the state to the new political and economic elite surrounding the President, with a privatisation process marred by the use of shell-companies (including through UK jurisdictions) to mask beneficial owners. Already the new agricultural clusters have created local monopolies dominated by well-connected figures, limiting the freedom of entrepreneurship and enabling them to dictate contractual and *de facto* conditions to farmers.

There is much that can be done through a mixture of support and pressure to make what is left of the reform process deliver more results that are genuine. There is much the UK could do at the intersection between economic and governance reform, with a focus on the elements outlined in the Effective Governance for Economic Development in Central Asia project particularly in relation to Tax and customs reform, the Governance of state-owned enterprises and Government procurement, where improving transparency and tackling corruption must be a central feature of these projects.

While recognising that, on capacity grounds, in certain other areas of anti-corruption work until now the UK has allowed other partners such as the US, EU and Switzerland to take the lead, this paper makes a number of suggestions of actions the UK Government could take below that are particularly relevant to the UK's expertise and role. It is to be hoped that the UK Government's recently renewed focus on anti-corruption issues in the wake of the invasion of Ukraine may provide new opportunities for UK action in Uzbekistan, particularly where there is as specific link to the UK.

UK Anti-Money laundering leadership and Uzbekistan's Reform Agenda

A key pillar in the Mirziyoyev Government's policy agenda is normalising and strengthening Uzbekistan's integration into international markets. Particular emphasis has been placed on integrating Uzbekistan into international capital markets as a key device for pump-priming domestic financial innovation and business growth.

While significant effort has been placed into modernising market structures, streamlining regulation, and building human capacity, substantive anti-money laundering (AML) reforms have lagged, and the enforcement of existing AML laws has been weak. This is problematic for two reasons. First, internationally there has been a significant strengthening in anti-money laundering structures and processes, which Uzbekistan will need to calibrate with in order to obtain unrestricted access to international markets, and to open up its own markets to investors increasingly aware of their own compliance responsibilities. Second, Uzbekistan is a country that is credibly seen as high risk from an anti-corruption perspective.

On a positive note, the Mirziyoyev Government has set out an ambitious plan for AML reforms that it claims it will be pursuing over the next planning cycle.¹⁰ This demonstrates a policy awareness of the challenges, and a political commitment to achieving international benchmarks of best practice. However, arguably the scale of the problem is not yet well understood nationally or internationally, with critical spokes in the financial and market system infected quite seriously with corruption, organised crime and/or white-collar crime.

The most explicit example that might be used to press home this point are private commercial banks in Uzbekistan (see further below). Anti-corruption campaigners note that some private commercial banks are owned by individuals who have faced allegations of links to organised crime, corruption and money laundering, while the management and supervisory boards of these banks are staffed by close associates of the principal owners. There is also concern that banks in Uzbekistan may be providing an avenue for Russians to access Visa and MasterCard, which would allow them to make transfers in hard currencies.

The UK has played an important international role in exercising leadership in the realm of AML. It is in a strong position to help the Government of Uzbekistan execute its AML strategy, particularly in areas such as corporate transparency, AML regulations, and asset recovery.

Transparency and Beneficial Ownership of Legal Persons and Arrangements

The unified register of legal entities in Uzbekistan fails to meet international standards for transparency with regards to limited liability companies.¹¹ The register only makes available a current extract for companies, which details its address, legal shareholders, and general manager. It does not contain historical information, nor does it contain corporate filings, such as annual financial returns. Additionally, there is no data available on the register detailing beneficial ownership of legal entities. If the Government of Uzbekistan wishes to promote investment it should ensure that its registers can be accessed by all, as at present the ability to view information is limited to Uzbek nationals (who are required to submit their tax ID when accessing data, something which also potentially puts them at risk).

As a result, in Uzbekistan it is relatively simple for organised crime and corrupt officials to set up shell companies administered by proxies. Those shell companies are then able to acquire state assets through privatisation processes (notably for state owned banks, thereby giving greater access to the international financial system) and bid for government contracts without their ultimate beneficial owners being revealed. The use of proxies to conceal improper conduct, has long been a challenge for Uzbekistan, revealed overtly in the case of the imprisoned former official, Gulnara Karimova, who used a series of opaque offshore companies to conceal her ownership of domestic legal entities in Uzbekistan.¹²

This challenge, however, has not gone away.

¹⁰ LexUZ on-line, Decree President of the Republic of Uzbekistan, dated June 28, 2021, No. UP-6252, <https://lex.uz/ru/docs/5482739>

¹¹ Government of Uzbekistan, Service: Familiarisation with the credentials of legal entities and individual entrepreneurs, <https://my.gov.uz/ru/info-by-tin>; Lex UZ on-line, Statement for state registration of a business entity without forming a legal entity (individual entrepreneur), November 2018, <https://www.lex.uz/ru/docs/3111342#3111768>

¹² Government of Uzbekistan, Service: Familiarisation with the credentials of legal entities and individual entrepreneurs, <https://my.gov.uz/ru/info-by-tin>; Lex UZ on-line, Statement for state registration of a business entity without forming a legal entity (individual entrepreneur), November 2018, <https://www.lex.uz/ru/docs/3111342#3111768>

UzInvestigations have given a number of important case examples including politically exposed conglomerate, the Orient Group, which they argue have been involved in a series of questionable large-scale financial transactions involving state-owned entities.¹³ It is part owned through an opaque offshore structure that conceals the identity of beneficial owners that have invested over US\$120 million in the Orient Group. Another legal entity in receipt of a large government contract awarded under such conditions, GID Tashkent, is owned by a UAE entity linked (according to UzInvestigations) to the former Presidential Spokesperson, Komil Allamjonov.¹⁴ To use a third example, following a series of high profile exposes shareholdings in the Akfa/Artel group have passed from the Khokim (Mayor) of Tashkent to a series of what appears to be nominee shareholders who are managers from the group.¹⁵

The current weaknesses in corporate transparency, set against the known money laundering threats, constitutes a significant challenge for Uzbekistan, especially if it is to attract compliance conscious international investors. The introduction of a transparent corporate disclosure system modelled on Companies House would significantly enhance levels of disclosure and transparency. This would provide Uzbekistan with the most transparent corporate register in the region, giving it a significant competitive advantage in promoting itself as a highly desirable emerging market and be an area where the UK would be well placed to provide technical assistance.

This reform to the corporate register, could usefully be married to a wider reform of corporate governance in Uzbekistan, where the law is notably lacking in depth and breadth.¹⁶ The measures on transparency and beneficial ownership could make an improvement to public procurement at a local as well as national level by encouraging genuine public tendering (with firms linked to the Khokim of Tashkent and the Minister of Construction have successfully won contracts in the Tashkent region).¹⁷

Reforming AML regulations

In 2021 the Government of Uzbekistan set out an in-depth strategy for AML reforms.¹⁸ This signals the fact that despite recent amendments, the AML law in Uzbekistan is currently out-of-step with best practice.¹⁹ For example, current regulations do not specifically govern matters such as enhanced due

¹³ According to UzInvestigations (whose researchers are part of this Working Group), see: Professor Kristian Lasslett, Government investment fund a 'piggy bank' for conglomerate tied to Uzbekistan's first family, UzInvestigations, September 2021, <https://uzinvestigations.org/reports/government-investment-fund-a-piggy-bank-for-conglomerate-tied-to-uzbekistans-first-family/>; Radio Ozodlik, Fergana Power: How did Mirziyoyev's successor become a billionaire business owner?, September 2021, <https://www.ozodlik.org/a/mirziyoyev-otabek-oybek-umarov-orient/31459353.html>

¹⁴ Professor Kristian Lasslett and Uzbek Forum for Human Rights, Behind the entrepreneurial veil: State aid and elites in Uzbekistan, UzInvestigations, October 2020, <https://uzinvestigations.org/reports/behind-the-entrepreneurial-veil-state-aid-and-elites-in-uzbekistan>

¹⁵ Professor Kristian Lasslett, How a Central Asian Business Empire Dines out on British Secrecy, June 2019, <https://uzinvestigations.org/blogs/how-a-central-asian-business-empire-dines-out-on-british-secrecy/>

¹⁶ LexUZ on-line, Law of the Republic of Uzbekistan on Limited and Additional Liability Companies, March 2002, <https://lex.uz/ru/docs/4607985>

¹⁷ 'Dubious Deal? Uzbek Firm With Great Ties, No Experience 'Wins' \$550 Million State Contract', Radio Free Europe/Radio Liberty, 1 June 2020, <https://www.rferl.org/a/dubious-deal-uzbek-firm-with-great-ties-no-experience-wins-550-million-state-contract/30647058.html>; 'Reconstruction of the administrative building with the construction of a parking lot in the center of Tashkent will cost 431.5 billion soums', Gazeta, April 2021, <https://www.gazeta.uz/ru/2021/04/12/reconstruction/>; 'Eco House-Group, affiliated with the Khokim of Tashkent, received large contracts without competition', Kun.uz, 13 December 2021, <https://kun.uz/ru/news/2021/12/13/kompaniya-eco-house-group-affilirovannaya-s-xokimom-tashkenta-poluchila-kрупnyye-kontrakty-bez-konkursa>

¹⁸ LexUZ on-line, Decree of the President of the Republic of Uzbekistan, dated June 28, 2021, No. UP-6252, <https://lex.uz/ru/docs/5482739>

¹⁹ Ibid.

diligence and political exposure.²⁰ This challenge has to be read alongside the risk environment in Uzbekistan.

For example, Madad Invest Bank's largest shareholder and Chairman for example is Senator Muminjon Yuldashev.²¹ Yuldashev was blacklisted by the World Bank after it was concluded that he had conspired with a public official to rig a tender, using violent threats against a competitor.²² Other recent public reports have pointed to the political exposure of Orient Finans Bank, whilst Invest Finance Bank is owned by a family closely linked to Gulnara Karimova, which has been investigated by Russian authorities over organised crime, and has been implicated in highly suspicious transaction by journalists.²³

This backdrop makes the AML reforms of the highest urgency. The UK has in-depth experience in this area, and has regulations and oversight mechanisms that could serve as an instructive model for supporting the Government of Uzbekistan in addressing this current under-appreciated threat to the reform process.²⁴

Asset recovery

As a country facing high levels of grand corruption, Uzbekistan is a source country of illicit financial flows that are seeking safe investment in offshore assets, a significant portion of which has flowed through the UK, including real-estate assets.

While Uzbekistan is primarily framed as a source for illicit financial flows into the global economy, it is also a recipient of illicit financial flows. Previous investigations have for example documented the laundering of proceeds from the Starbank fraud in Russia to cotton clusters in Uzbekistan.²⁵ This is one example of a wider flow of illicit finance from Russia into Uzbekistan. In addition, media reports have pointed to the risk of foreign kleptocrats laundering their money through Uzbekistan, especially against a backdrop of at times lax due diligence.

For both the above reasons, Uzbekistan will benefit from anti-corruption and AML reforms that enhance its ability to seize the proceeds of crime, including through tools such as Unexplained Wealth Orders, account freezing and forfeiture orders. It is also a region that would benefit from a detailed asset

²⁰ LexUZ on-line, Law on Combating the Legalisation of Proceeds from Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction, dated 26 August 2004, No. 660-II, <https://lex.uz/ru/docs/284542>

²¹ See: inmadadinvestbank.uz/storage/pages/ustav.doc

²² The World Bank, World Bank Debars Mr. Muminjon Yuldashev (Sanctions Case No. 585 – Uzbekistan), July 2019, <https://www.worldbank.org/en/news/feature/2019/07/08/world-bank-debars-mr-muminjon-yuldashev-sanctions-case-no-585-uzbekistan>

²³ Professor Kristian Lasslett, Government investment fund a 'piggy bank' for conglomerate tied to Uzbekistan's first family, UzInvestigations, September 2021, <https://uzinvestigations.org/reports/government-investment-fund-a-piggy-bank-for-conglomerate-tied-to-uzbekistans-first-family/>; Professor Kristian Lasslett, Out of the cauldron, into the fire? Risk and the privatisation of Uzbekistan's cotton sector, UzInvestigations, June 2020, <https://uzinvestigations.org/reports/out-of-the-cauldron-into-the-fire-risk-and-the-privatisation-of-uzbekistans-cotton-sector/>; Christian Bronnimann, Rieter's delicate "boomerang contracts" in Uzbekistan, Tages Anzeiger, June 2020, <https://www.tagesanzeiger.ch/rieters-heikle-bumerang-vertraege-in-usbekistan-674616747460>

²⁴ Legislation.gov.uk, The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, <https://www.legislation.gov.uk/uksi/2017/692/contents/made>

²⁵ Kristian Lasslett, Out of the cauldron, into the fire? Risk and the privatisation of Uzbekistan's cotton sector, UzInvestigations, June 2020, <https://uzinvestigations.org/reports/out-of-the-cauldron-into-the-fire-risk-and-the-privatisation-of-uzbekistans-cotton-sector/>

recovery strategy that strengthens its commitment to areas of international best practice, such as the GFAR principles.

With the UK having a key leadership position in the area of international asset recovery, and having pioneered asset recovery innovations such as the Criminal Finances Act 2017, this is another area for knowledge transfer and support that would enhance Uzbekistan's AML and anti-corruption framework.²⁶

It has also been noted by Working Group members that the National Crime Agency (NCA) previously had an officer based in Uzbekistan covering both Uzbekistan and Kyrgyzstan in the recent past (undertaking work with the customs service in 2018 for example), but this position is being removed for reasons internal to the NCA.²⁷ Given the issues raised above, and potential risks relating to the Taliban's takeover of Afghanistan and ongoing drug smuggling which has been on the rise since Taliban Control (with Afghanistan the source of 90 per cent of the UK's heroin), there is a strong case for retaining or reintroducing the NCA presence on the ground to improve coordination and monitoring.

Putting change into practice

Members of the Working Group note that in some areas of public procurement and tendering improvements have been made in law, but there is still far to go to ensure they deliver real change in practice, particularly given the opaque ownership structures of many companies. This is in part because while reforms to rules have been proposed on avoiding conflicts of interests and ensuring the declaration of financial interests of politicians and senior officials (such as through the Law on Civil Service originally due in late 2017), they have yet to be applied in practice.²⁸

Under the GSP Enhanced Framework the UK offers Uzbekistan tariff free access to the market for a number of products in return for Uzbekistan being a signatory to 27 Conventions on Governance, Human Rights and Environmental standards. However, there is more that needs to be done by the UK working with its international partners to ensure that the Government of Uzbekistan complies with the conventions in practice rather than just on paper.²⁹

Working with partners

Criticisms of the management of the Government of Uzbekistan's anti-crisis fund and COVID-19 procurement by Bankwatch and others have highlighted wider issues around the transparency and accountability of lending by the International Financial Institutions in Uzbekistan, who have a crucial role

²⁶ Legislation.gov.uk, Criminal Finances Act 2017, <https://www.legislation.gov.uk/ukpga/2017/22/contents/enacted>

²⁷ UNODC, Uzbekistan, UNODC, the UK's National Crime Agency Strengthen Partnership on Container Control, <https://www.unodc.org/centralasia/en/news/uzbekistan--unodc--the-uks-national-crime-agency-strengthen-partnership-on-container-control.html>

²⁸ The law on civil service, which would have introduced obligatory declarations of income by state officials, was planned to be adopted back in September 2017. But this deadline was repeatedly pushed back. The next deadline was 1 January 2020, then 1 January 2021. On 6 July 2021 the President had adopted a decree by which declarations must start beginning from 1 January 2022, but the law on civil service, which should have been following that decree, has not yet been adopted, meeting resistance by some ministries, while the President himself does not seem to be enforcing the 1 January 2022 deadline. See: Gazeta.uz, Declaration of income of civil servants introduced from January 1, July 2021, <https://www.gazeta.uz/ru/2021/07/07/declaration/>; and Gazeta.uz, "No one will be left behind." Akmal Burhanov – on declaring the income of civil servants, October 2020, <https://www.gazeta.uz/ru/2020/10/06/income-declaration/>

²⁹ Department for International Trade, Guidance: Trading with developing nations, Gov.uk, December 2020, <https://www.gov.uk/government/publications/trading-with-developing-nations>

in supporting reforms in Uzbekistan.³⁰ The UK has an important role to play in encouraging the EBRD, World Bank and other institutions in which it has influence to ensure the issues around transparency mentioned above, and in the Bankwatch report, are fully considered in future lending, with a greater emphasis on improving governance and if possible a degree of conditionality on the lending to incentivise progress on reform.

Getting our own house in order

Further reform of the UK's own domestic arrangements and those in the UK's overseas territories would be extremely helpful given the use of UK company structures to opaquely manage Uzbek assets on behalf of politically connected local partners. Scottish Limited Partnerships have posed a particular problem that have been exploited by firms in Uzbekistan.

Rule of Law

There would appear to be considerable commercial interest in UK based legal expertise as a means to help improve Uzbekistan's offer to international investors, but the appetite for wider systemic reform is more limited. The UK Government needs to continue to stress that wider systemic change (around the independence and competence of the judiciary and law enforcement) will be necessary to provide reassurance to investors that property rights will be respected and reputational risk is reduced, in order to meet the economic priorities of both Governments. One suggestion for future action could be the creation of a joint body (advisory board or a commission) which would monitor the situation and advise the parties what they should do, in addition to supporting training and advisory work with the judiciary, Prosecutor General's Office and the Chamber of Advocates.³¹ There may also be scope to coordinate with UK based law firms around ensuring local legal work complies with ethical standards they would be expected to comply with at home.

Housing and Planning Reform

Since Mirziyoyev came to power in 2016 there has been significant efforts to rebuild Uzbekistan's physical environment to match the image of change it is trying to project. The building boom has been seen to benefit politically connected individuals and the rules bent or broken to facilitate regeneration schemes at the expense of existing residents who have faced forced evictions (sometimes at short notice) and a failure to pay adequate compensation for those pushed out. These issues have created political flashpoints in the region and mobilised civic activism in ways the Government has found potentially destabilising.³² Heritage assets (many of which lack formal legal protection) and green spaces have also fallen foul of the development boom. While this area is a growth sector for UK based architects and other firms there is also an opportunity to assist with systemic reform. The UK has significant expertise in planning, consultative processes around development projects and conservation of heritage assets and areas that could be utilised to assist the Government of Uzbekistan and municipalities in addressing these challenges.

Human Rights and Media Freedom

As noted above, the UK Embassy has gained credit for speaking out on a number of high profile cases but more is hoped for, particularly given the stagnation of political, human and labour rights reforms.

³⁰ Bankwatch Network, 'Uzbekistan's Anti-Crisis Fund: Analysis of state procurement in 2020, November 2021, <https://bankwatch.org/publication/uzbekistan-s-anti-crisis-fund-analysis-of-state-procurement-in-2020>

³¹ Such project could include representatives of other suitable nations, international institutions and appropriate NGOs.

³² See Spotlight on Uzbekistan and in particular the introduction and Dilmira Matyakubova's piece: Dilmira Matyakubova, The perils of rebuilding Uzbekistan: The rise of glass and glitter, FPC, July 2020, <https://fpc.org.uk/the-perils-of-rebuilding-uzbekistan-the-rise-of-glass-and-glitter/>; See also: Housing news, <https://housing-uz.info/ru/en/>

Embassy staff where possible should seek to increase their involvement in trial monitoring, particularly in the regions where greater abuses can take place away from the public scrutiny sometimes available in Tashkent.

Official efforts to address historic wrongdoing under Karimov have so far been limited but there is a strong case that doing so will be essential to future progress and an important way for the Mirziyoyev Government to evidence real change. Building on the expertise built up through the Northern Ireland Peace Process and throughout its NGO sector the UK would be well-placed to provide assistance with issues of transitional justice and rehabilitation for the victims of past abuse.

It is still proving almost impossible for genuinely independent groups/NGOs and trade unions (rather than the many government-instigated foundations) to register with the Ministry of Justice and operate freely in the country. Independent NGOs seeking to monitor the human and labour rights situation in the country have had their applications for registration rejected, in some cases multiple times, for spurious, arbitrary, or insignificant reasons.³³ Moreover, even after receiving registration, NGOs are not able to operate without interference from the Government. The Ministry of Justice requires NGOs to submit for approval their plans for implementation of specific projects and activities, including holding meetings, events, or applying for funding.

In an attempt to tighten control of independent civil society, on June 16th 2022, the Uzbek Government passed a decree imposing government interference and oversight over NGO projects that receive foreign funding.³⁴ A group of Uzbek activists wrote a joint letter to the Ministry of Justice requesting to revoke the decree and other international civil society groups, including the Uzbek Forum and the Cotton Campaign have raised this issue with government officials, noting such regulation would put the local NGOs in breach of EU and other international funding guidelines, which support and uphold democracy, human rights, and rule of law.³⁵

These examples show there is a significant barrier for genuine reform across society. It will be important for the UK Government to continue to make the case for both NGO registration and non-interference by government with the NGOs' work (both legally and in practice) at a senior political and official level, while offering Uzbekistan's Ministry of Justice technical support to help clear issues relating to organisational culture and process (albeit for a problem whose root cause is political rather than predominantly bureaucratic).

The Government has made meaningful and significant progress to end state-imposed forced and child labour in cotton production. Findings of independent monitoring by the Uzbek Forum for Human Rights of the 2021 harvest indicate that state-imposed forced labour is no longer a systematic approach to the

³³ As documented in: Dilmurad Yusupov, Challenges NGOs in Uzbekistan are still facing, FPC, July 2020, <https://fpc.org.uk/challenges-ngos-in-uzbekistan-are-still-facing/>; Human Rights Watch, Uzbekistan: Registration Barriers for Independent Groups, January 2021, <https://www.hrw.org/news/2021/01/07/uzbekistan-registration-barriers-independent-groups>; Uzbek Forum for Human Rights, The time for words has passed. Uzbekistan should simplify the rules for registration of NGOs and legitimize civil society voices, April 2021, <https://www.uzbekforum.org/the-time-for-words-has-passed-uzbekistan-should-simplify-the-rules-for-registration-of-ngos-and-legitimize-civil-society-voices/>; Uzbek Forum for Human Rights, Tricks, threats and deception: Registering an NGO in Uzbekistan, March 2020, <https://www.uzbekforum.org/tricks-threats-and-deception-registering-an-ngo-in-uzbekistan/>

³⁴ Imida Niyazova and Lynn Schweisfurth, New Regulations in Uzbekistan Effectively Impose Government Control on NGOs, The Diplomat, August 2022, <https://thediplomat.com/2022/08/new-regulations-in-uzbekistan-effectively-impose-government-control-on-ngos/>

³⁵ Gazeta.uz, NGOs urged to cancel government decree, November 2022, <https://www.gazeta.uz/ru/2022/11/17/ngos/>

harvesting of cotton. In March 2022 the Global Cotton Campaign ended its 13 year organised boycott of Uzbek cotton.³⁶ This is a landmark achievement and a crucial first step towards establishing and maintaining international labour standards for the emerging Uzbek textile industry. However, a lack of effective institutions and mechanisms to protect freedom of association and expression puts the reforms to end forced labour in cotton production at risk and creates heightened risks for responsible brands to begin sourcing from Uzbekistan.

Cotton workers, farmers, and the broader civil society must be able to report transparently and advocate for decent working conditions, both individually and collectively. However, we are witnessing a very different landscape. Cotton pickers and factory workers have no independent organisations or trade unions to voice concerns and defend their rights. All union activity in the country continues to be dominated by the government-aligned Federation of Trade Union of Uzbekistan (FTUU).

Even more, Government officials reportedly attempted to obstruct workers from unionising at a cotton textile cluster operating in Syrdarya region, despite the fact that in 2018 the Government of Uzbekistan ratified the ILO Convention No 87 on Freedom of Association and Protection of the Right to Organize, and it has a duty to respect, protect, and fulfil the right of workers to join and form trade unions of their choosing.³⁷

In November 2022, Uzbek Forum released preliminary findings of independent civil society monitoring of the 2022 cotton harvest, showing that human rights risks remain in the Uzbek cotton industry, including the risk of forced or coerced labour, exploitation of farmers, and constraints on freedom of association and a broader enabling environment for responsible business.³⁸ Preliminary findings show that key high-level officials send consistent messages that local officials should not use forced labour or coercion. However, despite the abolition of the state order for cotton production, the Government continues to exert strict control of the harvest and *de facto* production targets for individual districts persist. Uzbek Forum monitoring identified cases where pressure on district and regional government authorities to meet production targets has led to cases of forced labour in districts with insufficient voluntary labour. Furthermore, farmers are vulnerable to exploitation by cotton companies (known as ‘clusters’), with thousands of farmers reportedly being forced to sign blank contracts with no guaranteed minimum price, but often with inflated production targets.³⁹

For this reason, the UK Government should make the case that freedom of association for both workers and farmers, and freedom of expression are critical to the long-term success of efforts to complete and sustain the eradication of forced labour and promote decent work in the cotton and textile sector. The global brands and retailers that are looking to source from Uzbekistan (something they would be particularly keen to do in the context of reducing usage of cotton produced in Xinjiang) require strong assurances that the reforms to eradicate forced labour are irreversible. In accordance with their legal and human rights due diligence obligations, brands need to ensure they can identify, prevent, and mitigate any risks of forced labour at all levels of the Uzbek textile value chain. This requires credible

³⁶ RFE/RL’s Uzbek Service, Cotton Campaign Ends Boycott Of Uzbek Cotton, Citing Progress on Labor Issues, RFE/RL, March 2022, <https://www.rferl.org/a/uzbekistan-cotton-boycott-ended/31748351.html>

³⁷ Cotton Campaign, Uzbekistan: First Independent Labor Union Faces Intimidation, March 2021, <http://www.cottoncampaign.org/independent-union-faces-intimidation.html>

³⁸ Uzbek Forum for Human Rights, Cotton Chronicle 2022: Observations of Uzbekistan’s Cotton Harvest, October 2022, <https://www.uzbekforum.org/cotton-chronicle-2022-observations-of-uzbekistans-cotton-harvest/>

³⁹ Cotton Campaign, Uzbekistan, November 2022, <https://www.cottoncampaign.org/news/uzbekistan-independent-monitoring-shows-human-rights-risks-remain-in-the-cotton-industry-despite-reforms-that-ended-state-imposed-forced-labor>

mechanisms for independent monitoring and accountability, and the development of effective institutions to provide transparency at the industry level. Independent NGOs, independent journalists and independent trade unions play a key role in developing and operating such mechanisms and institutions.

To enable responsible sourcing of cotton products from Uzbekistan, which would help achieve and maintain international labour rights standards in the Uzbek industry, the Cotton Campaign is working to develop a pilot programme for responsible sourcing.⁴⁰ This programme is based on a co-governance model bringing together labour, global brands, and suppliers to build capacity and develop robust worker driven mechanisms for grievance at all stages of cotton production.⁴¹ The UK Government should engage the Uzbek Government on raising awareness of what brands require for human rights due diligence in alignment with the UNGPs, the OECD Guidelines, and national laws governing human rights due diligence, supply chains, and imports; and encourage brands based in the UK or retailing in the UK to engage with the Cotton Campaign, and legitimate worker and farmer representatives in Uzbekistan in their assessment process regarding their sourcing policies for Uzbek cotton.

There is similar state obstruction to the registration of religious communities, while at the same time all exercise of freedom of religion or belief without state permission remains banned and punishable. No mosques outside the framework of the Muslim Board are allowed. All religious literature is subject to prior compulsory censorship. Those who criticise state policy which obstructs the exercise of freedom of religion or belief can be jailed. A restrictive new religion law came into force in July 2021. While recognising that the US often takes the lead on these issues amongst Western embassies in Tashkent and that operationally the UK may not be that active on these issues, given Lord Ahmad's previous role as Special Envoy on Freedom of Religion and Belief he could potentially play a part in helping encourage Uzbekistan to take a more inclusive course. The suggestion that the UK could potentially be the intersection between women's rights and freedom of religious belief would seem like an area where the British experience could potentially add value.

In relation to media freedom there is scope to push the Government (perhaps via social media itself) on the somewhat absurd situation whereby in the past Twitter, Facebook and other social media platforms were blocked from being openly accessed in Uzbekistan (except via VPN), while Government departments and senior politicians (including the President) were openly using these platforms to communicate themselves.

Overall the media freedom situation seems to have deteriorated over the last two years with the red lines marking the boundaries between tolerated ('constructive') criticism of the Government and attacks deemed unacceptable have been drawn tighter and tighter. It is clear that without international efforts to help spur future progress, the current situation of tightly managed freedom may ossify into a permanent settlement. The UK response should hopefully involve speaking out on specific cases, especially those from remote regions, and on supporting specific policy such as the need for reducing

⁴⁰ Cotton Campaign, Sourcing Yarn, Fabric, or Finished Goods from Uzbekistan, November 2022, https://static1.squarespace.com/static/618550501fe9be0ff3428860/t/637672e455e96e1476290418/1668707052356/CC_RSA_2pager_WEB.pdf

⁴¹ Cotton Campaign, The Cotton Campaign Framework, March 2022, https://static1.squarespace.com/static/618550501fe9be0ff3428860/t/625eaa0b73e7ac740a0bd083/1650371099227/CottonCampaign_RSA_Brochure_March22.pdf

the size of fines for defamation/libel cases and decriminalising offences restricting free speech.⁴² The recent arrest of activist and journalist Aziz Yusupov, on suspiciously timed and motivated drugs charges, which prevented him from speaking at the OSCE's ODIHR annual meeting was a further example of the limits of political change in Uzbekistan at present.⁴³

Opportunities for genuine political reform sadly seem to be limited, however it remains important for the UK to continue to push for independent political parties to be able to register and other findings of the most recent OSCE ODIHR election observation report.⁴⁴ There may be more scope for structural reform at a local level through the UK offering technical assistance in delivering on the President's previously expressed desire to facilitate the direct elections of Khokims and empowering local Kengashes to improve their scrutiny and oversight functions (including on planning issues as noted above). However at present opportunities for reform at a local level remain the direct removal of Governors seen to have egregiously broken the rule or who have become unpopular locally generating bad publicity that either encourages or forces the Presidential administration to remove them from office.⁴⁵

The President's office once offered to reform the national legislation promising to protect bloggers and journalists by providing guarantees of their professional activity from harassment and intimidation in 2019 but had not delivered it yet.⁴⁶

Women's Rights and Minority Rights

We are aware that the UK Government has commissioned scoping work on the important issues of domestic violence and women's rights in Uzbekistan. This is an area where UK civil society, as well as both local and national government, has expertise that can be brought to bear to help deliver change. However, it is important that such efforts must be focused on boosting the capacity and reach of locally based activists and experts and driving change within Uzbekistan's institutions, in the face of potential backlash from traditionalist and nationalist voices who have become more publically vocal on cultural issues particularly via social media. It has been noted that rules on child marriage in new criminal code make it only an administrative offense for first time offenders, something that the UK could, both directly and by supporting women's rights groups, advocate strengthening.

LGBTQ+ rights remain one of the most difficult topics on which to engage the Uzbek Government. However the UK will need to persevere in making the case for tolerance and to reduce attacks and exploitation of the community. The FCDO should ensure the Home Office fully understands the challenges facing LGBTQ+ Uzbeks when considering asylum applications.

⁴² For example, Otabek Sattoriy based in Surhandarya province. See: CPJ, Uzbek blogger Otabek Sattoriy sentenced to 6.5 years in prison, May 2021, <https://cpj.org/2021/05/uzbek-blogger-otabek-sattoriy-sentenced-to-6-5-years-in-prison/>

⁴³ IPHR, Uzbekistan: Activist arrested on trumped up charges before major human rights conference, September 2022, <https://www.iphronline.org/uzbekistan-activist-detained-on-trumped-up-charges-before-major-human-rights-conference.html>

⁴⁴ OSCE, Presidential Election, 24 October 2021 – Uzbekistan, <https://www.osce.org/odihr/elections/uzbekistan/493351>

⁴⁵ See: <https://kun.uz/33433450>

⁴⁶ The Government of the Republic of Uzbekistan. Draft Law Republic of Uzbekistan On the Introduction of Amendments and Supplements to Some Legislative Acts of the Republic of Uzbekistan [Проект Закона Республики Узбекистан "О внесении изменений и дополнений в некоторые законодательные акты Республики Узбекистан"], August 2019, <https://regulation.gov.uz/ru/document/5679>

Recommendations for the UK Government:

- Encourage UK Education Providers operating in Uzbekistan work to promote academic freedom in the Uzbek institutions and build research partnerships with independent minded Uzbek scholars;
- Ensure independent voices are able to participate in the Chevening and John Smith Trust programmes;
- Liaise with the Department of Education, Ofsted and British experts on further opportunities to support reform of the education system;
- Support genuine reform of the economy and its governance. This can include:
 - in country measures on Transparency and Beneficial Ownership of Legal Persons and Arrangements,
 - reforming Uzbekistan's AML regulations,
 - supporting asset recovery,
 - delivering on promises for improved disclosure and conflict of interest rules,
 - taking steps to encourage improved lending by IFIs, and
 - addressing problems with abuse of Scottish Limited Partnerships and the UK's Overseas Territories;
- Continue to speak out on a number of high profile human rights and media freedom cases but feel supported to do more, particularly on cases outside of Tashkent;
- Enhance capacity of Embassy staff to undertake trial monitoring;
- Examine opportunities for transitional justice for Karimov's victims;
- Challenge ongoing restrictions on NGO registration and operation without government interference, and offer technical support to the Government where needed.
 - In particular, the Ministry of Justice should permit the timely and straightforward registration of independent human and labour rights NGOs in the country. It should desist from rejecting registration applications on non-substantive errors and permit immediate correction of such errors without the need to resubmit documents.
 - The Government should revise the elements of the June 13th 2022 Decree No. 328 that impose government oversight and control over NGOs receiving foreign funding to allow NGOs to operate independently and without government interference. The decree poses an especially grave risk to projects seeking to establish independent labour rights monitoring of cotton production, essential for combating forced labour and allowing international buyers to source cotton responsibly.
- Maintain pressure on the Government of Uzbekistan to prevent backsliding on efforts to eradicate forced labour by ensuring independent monitoring is able to take place by NGOs that should be allowed to register and operate;
- Maintain pressure on the Government of Uzbekistan to expand freedom of association rights for workers and farmers and convey that freedom of association protections are critical to encourage responsible sourcing from the country.
- Oppose restrictions on accessing social media;
- Supporting efforts at reducing the size of fines for defamation/libel cases;
- Assist efforts to reform local government and improve its accountability;
- Offer advice and support in urban planning, consultative processes around development projects and conservation of heritage assets; and
- Continue to support work on religious freedom, women's and LGBT+ rights.

Resources:

- **Uzbek Forum for Human Rights:** <https://www.uzbekforum.org/>
- **UzInvestigations:** <https://uzinvestigations.org/>
- **FPC report – Spotlight on Uzbekistan:** <https://fpc.org.uk/publications/spotlight-on-uzbekistan/>
- **JFJ Attacks on Media Workers in 2020 – Uzbekistan:** https://jfj.fund/report-2020_2/#uzb
- **JFJ Attacks on Media Workers in 2017-2019 – Uzbekistan:** <https://jfj.fund/attacks-on-journalists-bloggers-and-media-workers-in-central-asia-and-azerbaijan-2017-2019/#uzbekistan>
- **Human Rights Measurement Initiative – Uzbekistan:** <https://rightstracker.org/en/country/UZB?tab=snapshot>
- **Human Rights Watch – Uzbekistan: Events of 2021:** <https://www.hrw.org/world-report/2022/country-chapters/uzbekistan>
- **Human Rights Watch-Uzbekistan – Police Abuses in Autonomous Region Protests:** <https://www.hrw.org/news/2022/11/07/uzbekistan-police-abuses-autonomous-region-protests>
- **Freedom House – Uzbekistan:** <https://freedomhouse.org/country/uzbekistan/freedom-net/2021>
- **Forum 18 – Uzbekistan:** <https://www.forum18.org/archive.php?country=33>
- **Cotton Campaign:** <http://www.cottoncampaign.org/>