



Dear Members and Friends,

This is our fourth and last publication for the year so it gives me great pleasure and satisfaction to express my thanks to all of you, members and staff who have worked on AmCham's behalf during 2006. All things considered it has been a constructive year. We have seen long-term members depart and we have welcomed former members back. As a service organization we have worked hard to support and assist the commercial interests of our membership and the private sector in general. We continue to engage and collaborate with the Government of Uzbekistan and we strongly endorse the reform programs in such areas as taxes, banking, privatization and free trade.

It has been a busy year with a full agenda of meetings and gatherings highlighted by our Tenth Anniversary celebration. I hope our activities have been useful to you and your commercial interests.

We look forward to the New Year and to your continued support and involvement. It is your participation that makes AmCham a success and we thank you for it.

Best regards, Don Nicholson

Letter from the Editor



Dear Readers

The American Chamber of Commerce in Uzbekistan (AmCham) on 15 September 2006 celebrated its 10th year anniversary and our cover picture records the welcoming of H.E. USA Ambassador to Uzbekistan, Jon Purnell, by AmCham President Donald Nicholson II. We all can look with pride at the past contributions of AmCham members to the ongoing economic and social development of Uzbekistan and with cautious optimism we can continue to strive to improve and broaden our efforts to reach mutually beneficial economic and social goals.

Our magazine, Business Connections, plans to increase its size in 2007 by adding more regular articles, AmCham regional and international news summaries and other features of interest to our members and readers. Your recommendations and requests are solicited. As always, we welcome any comments and constructive criticism which we can and will use to make this magazine better and more interesting for our audience. We will again repeat our request that our members provide us with information about their activities, success stories and human interest items that we can share with our readers.

Regards, Charles Rudd

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Attracting Investors

On August 15, 2006, a regular meeting of the Club of the National Association of Investment Institutions was held in the capital, in cooperation with the Uzbekistan Chamber of Commerce and Industry.

Participants of the Club discussed involvement of international investors in the securities and real estate markets of our country. As the speakers noted, favorable investment environment was created in Uzbekistan, mostly due to various tax benefits, and many foreign investors show interest to establish their business in our country. In particular, the recently adopted Resolution "On Intensification of Denationalization and Privatization Processes in 2006-2008", gives the local and foreign investors an opportunity to profitably put their money into the enterprises of various strategically important branches of economy of Uzbekistan, including gas and oil, mining, metallurgical, chemical and telecommunication industries.

Representatives of a number of international investment funds, who were participating in the club meeting, marked the great potential of the securities and real estate markets of our country, and informed the audience about their plans of possible investments to the economy of Uzbekistan.

Foreign Investments to Economy of the Country Increase. According to the Ministry of Economics experts, the volume of foreign investments in the economy of Uzbekistan will increase up to USD 1, 22 billion in 2007.

If these forecasted figures are achieved, the share of foreign investment in the total volume of the capital investment will grow up from 21 per cent in the current year to 23 percent, and this will allow to implement in full a number of attractive projects.

On the other hand, as the experts believe, in the nearest future Uzbekistan will be able to bring the total volume of foreign investment up to three billion USD per year; that will be done due to intensification of investment activities in the basic branches of economy of Uzbekistan.

Market that Provokes Interest

The First International Congress "Securities Market of Uzbekistan and Central Asia Countries. Opportunities for Issuers and Investors" was opened in Tashkent on September 29. The Congress was arranged by the Uzbek Company "Delta Max Capital", in cooperation with their partner "CBonds", the Russian information agency. More than 140 representatives of the banks, stock exchanges, financial centres, investment and commercial banks, investment companies; issuers, institutional investors, representatives of the state authorities on management of securities markets of Uzbekistan, Kazakhstan, Kyrgyzstan, Russia and other countries submitted their applications for participation in the Congress. Opening the forum, Sunatulla Bekenov, Deputy Finance Minister, said that securities market of the Republic is one of the most quick-growing segments of the national economy. According to him, the International Congress on Securities will serve as an efficient tool for the dialogue between the regulators and investors.

Dilshod Musaev, Chairman of the State Property Committee, briefed the audience about the privatization process; he pointed out that the recently taken measures turned to be positive and efficient. Foreign investors demonstrate their interest to some domestic facilities and offer prices higher than the starting ones. Kamoliddin Talipov, General Director of the Securities Market Coordination and Control Centre, informed the audience about the government's plans to adopt a new law on the securities market; the law will embody provisions based on the international and national practices in the sphere of securities markets.

Laws to Simplify Foreigners' Stay in Russia

Vladimir Putin, the President of Russia, signed two federal laws to regulate the stay of foreigners and persons without citizenship in the territory of RF. Thus, the leader of the country approved changes in the federal law "On Legal Status of Foreign Citizens in RF" and confirmed as invalid several provisions of the federal law "On Changes and Additions to Some Acts of Legislation of RF"; also, he approved the law "On Migration Recording of Foreign Citizens and Persons without Citizenship in the Russian Federation". The first document, regulating the legal status of foreigners, extends functions of their migration cards - from now on they will contain

information about duration of temporary stay or residence of foreign citizens or persons without citizenship in Russia. Alongside with this, **the card will confirm the right of these persons for their temporary stay in Russia.** The law will prolong the stay deadline for such persons, in the case they have applied for a permit to temporarily reside in RF.

In compliance with the law, foreigners and persons without citizenship are obliged to annually execute and present notifications confirming their permanent or temporary residence in the country; such notifications should be submitted to the territorial bodies of the Federal Migration Service (FMS). Also, the law abolishes quotas for the temporary residence permits to be annually issued by the RF government to foreigners arriving in Russia by the visa-free procedure.

Besides this, the State authorities are not allowed to reject applications for the temporary residence permits which are submitted by the citizens arriving in Russia by the visa-free procedure. Foreigners may appeal against such rejection, and their appeals should be sent to the FMS bodies. **Obligatory execution of permits allowing employers to use the immigrant labour is abolished.** Besides this, the RF government may allow foreigners or persons without citizenship to work outside the RF territorial subject where their permits have been issued.

The second document simplifies the current rules of registration of foreigners and persons without citizenship in the places of their residence and stay in the territory of Russia. According to the law, **the migration recording will be of a notifying nature.** The current obligatory registration of foreigners and persons without citizenship in the places of their stay will be substituted by recording of mentioned persons. Also, an opportunity to register these categories of citizens both in the living and non-living premises located in the places of their stay will be introduced.

According to the law, regulation of foreigners' opportunities to perform specific actions associated with migration recording is becoming more distinct. Also, their rights and obligations relating to such recording are defined more explicitly. The document simplifies the procedure by which foreigners or persons without citizenship should notify their arrival to the places of stay in the territory of Russia. In particular, now such persons may inform about their arrival via a receiving entity or by mail.

Uzbekistan Abolished Visas for Byelorussians

"Rosbalt" IA informs that by his special resolution Islam Karimov, the President of the Republic of Uzbekistan, has approved the agreement between the governments of Uzbekistan and Byelorussia on mutual trips of their citizens; the agreement was signed in January 2006.

According to the text of the Presidential paper, the citizens of one state have the right for the visa-free entry, exit, stay and transit across the other state's territory, based on the documents confirming their identity and citizenship. The government of Uzbekistan remains in its full right to deny the entry permit or reduce the period of stay to any Byelorussian subject, without any explanation of the grounds. In compliance with the bilateral agreement, both parties reserve the right to partially or entirely suspend the agreement in case of threat to the national security, public order, natural calamities, technogenic catastrophe or in the event of threat to people's health.

Great Britain Resumes Issuance of Visas to Uzbek Citizens

On August 7, Great Britain resumed issuance of visas to the Uzbek citizens; the process was stopped last November due to security reasons.

The Embassy of Great Britain in Uzbekistan resumes the consular services in full (issuance of visas, exchange of passport, and registration of birth and notary services).

New service looks much better, i.e. the citizens of Uzbekistan do not need to visit the Embassy in order to submit and receive their visa applications.

Now the Uzbek citizens may submit their documents for the British visa via TNT International Company which has undertaken the autosourcing functions (acceptance, initial check and sending of documents). The Company services will add USD 11-22 to the visa cost. The final decision on the visa issuance will be taken by the Embassy which will send the ready passports

to people via TNT Depending on the type, the cost of the British visa is from 7 to 494 USD.

From Malaysia to Uzbekistan without Delay

Presidential Resolution "On Simplification of Visa Procedure for Citizens of Malaysia (#PR-476, September 27, 2006) has been adopted to improve visa procedures for the citizens of Malaysia who arrive in Uzbekistan for business and tourism, and for pilgrimage. The Ministry for Foreign Affairs will issue multiple visas, up to 6 months, for those citizens of Malaysia who visit Uzbekistan for business; such visas will be issued in the foreign offices of the Republic within 2 working days, the day of the documents submission not included. One month multiple visas for tourists and pilgrims will also be issued within 2 working days. The application letters from the inviting legal entity of the Republic of Uzbekistan to IVIFA, as well as presentation of tourist vouchers of Uzbektourism National Company or invitations from the other tourism organizations are abolished.

Material from published articles compiled by Uzbek A. Rustamov, General Representative, interconcepts Inc. Translation to English: Lyubov Belokon



On September 15th, 2006 AmCham celebrated its 10th anniversary by hosting a gala celebration party at the pool garden of the Dedeman Hotel. More than one hundred and fifty AmCham members and friends participated in a lively evening that featured speeches, awards and a vast array of gourmet treats.

Special guests included representatives of the Government of Uzbekistan and many diplomatic missions.

H.E. Jon Purnell, Ambassador of the United States addressed the gathering and extended his congratulations and best wishes for AmCham's continued success. Former AmCham president Bob Horton and SME Committee chairman Charles Rudd were presented with awards in recognition of their long-term service and support to AmCham, as was Husan Anarkulov who as the longest serving staff member was recognized for his loyalty and unfaltering attention to duty.

In addition to the food and refreshments the evening was complimented by the outstanding music of "Pure Fiction".

A good time was had by all.



The July Business Mixer was sponsored by AmCham member. Case New Holland, and the venue chosen was the restaurant "Sinbad" located on the Anhor canal near Hotel Expo.



Amcham Uzbekistan President, Don Nicholson II, introduces the evening event sponsor Gary Beck of Case New Holland. Gary is an Amcham Director. Also participating in the welcome greetings to guests and members is Tatiana Okunskaya, Executive Director of Amcham Uzbekistan.



Amcham Directors Oybek Khalilov, Robert Horton, Executive Director Tatiana Okunskaya, SME Chairman Charles Rudd are enjoying the food and drinks with Guest Russ Huddleston of Huddleston Energy Ltd.



Amcham Members Lyubov Beloken, Irina Petunina and Guest Elena Okunskaya are enjoying the Business Mixer hospitality and social interaction.



AmCham's Monthly Meeting on July 18th included two presentations. The first was a personal macro economic overview by outgoing World Bank Representative Martin Raiser, who presented an encouraging picture of the Uzbek economy with GDP growth running at close to 8%, export values on the rise, foreign exchange reserves at a recent high, and new investment commitments from Russia, China and Korea.



The second presenter was Ulugbek Tilyayev of the International Finance Corporation (IFC) who presented the results of the IFC's annual survey of small and medium-sized businesses. Again the results were reasonably encouraging with entrepreneurs and business people showing a renewed interest in making capital commitments by investing in machinery and equipment. The entire survey is available in electronic format and those interested in receiving a copy should contact the IFC offices.

Both presenters took questions from the floor and there were a number of discussions on related matters.



Mr V.A. Chipiga, Chief of The Legal Department of the State Customs Committee of RUz, was the guest speaker for the monthly meeting of the American Chamber of Commerce.

The topic of Mr Chipiga's detailed talk was the draft of the Tax Code of RUz, and the work being carried out on the paper. It was mentioned that, compared to the current Code, the new one would regulate the system of the customs relations in a more comprehensive way.

The draft Code sets forth all the rules, privileges, rights and obligations both for the foreign economic activity participants and customs bodies; the paper will comply not only with the international law-standards but with the customs codes of the EuroAsEC member countries. At present, many of these relations are being regulated by the set of resolutions of the government, and by the departmental normative documents registered with the Ministry of Justice.

The main reason of necessity to work on the Customs Code is Uzbekistan's accession to the World Trade Organization, joining the EuroAsEC treaties and agreements, and, to some extent, the gap between the legislation in this field and the current realities. In association with this, high-powered work on the new edition of the Customs Code is being carried out. As you are aware, the drafts of the Tax and Administrative Codes have already been submitted for consideration of the government. The draft of the Customs Code is inseparable from these two acts of legislation. Indeed, the Tax Code regulates the sphere of application of the value added and excise taxes to be paid upon importation of the goods, as well as the system of preferences relating to these payments. And the draft of the Administrative Code is to regulate the system of administrative responsibility of the citizens as well as of the legal entities.

Speaking about the EurAsEC formation process, Mr Chipiga mentioned that the position of Russia was not clear until just recently, i.e. what would be prioritized: its accession to the WTO or formation of the Customs Union within EurAsEC. The whole process of formation and development of the system of relations in EurAsEC was dependent on that decision. Finally, Russia has found its position, and V.V. Putin, the President of Russia, declared that in the first instance all the efforts would be directed to formation of the Customs Union.

Answering the questions submitted by the AmCham members, Mr Chipiga has mentioned that, as everybody is aware, any state possesses three branches of power: legislative, executive and judicial ones. Each branch is responsible for its area of focus: the legislative branch makes the laws, the executive branch implements them and the judicial one resolves disputes and detects persons guilty of violation of the laws. The State Customs Committee is a state regulating authority and belongs to the executive branch of power. Herewith,

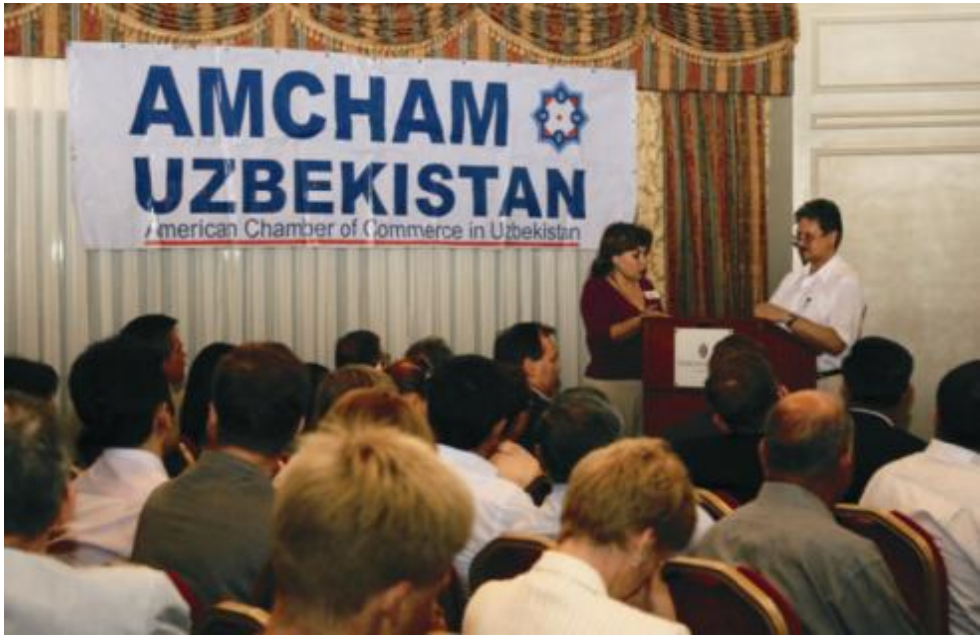
the competence of SCC includes mere development of mechanisms for the legislative norms and regulations application within the framework prescribed by the superior bodies, and control over their observance. Legislation of the Republic of Uzbekistan defines the acts which should introduce this or that norm. For example, issues of establishment of the import duties rates and granting of the customs payment preferences are in the exclusive capacity of the President of the Republic of Uzbekistan due to their importance for the economy as a whole and impact they produce on it. As far back as 1997, it was the Decree of the President of the Republic of Uzbekistan which abolished export customs duties, and the fact stimulated growth of the export capacity. We may submit proposals on the legislation improvement but we cannot change it on our own authority, emphasized Mr Chipiga.

Among the other questions, there was the one related to the problem of release of the import goods for free circulation, i.e. why this process drags along, though all the documents required for the cargo customs clearance are available. Mr Chipiga has explained that in many cases the entrepreneurs themselves are guilty since they are not enough knowledgeable about issues of legislation. In this case, insufficient law-obedience naturally leads to a necessity to enhance control for purposes of protection of the economic security of the Republic. As for the facts of bureaucratic hurdles or cases of corruption, it was suggested to immediately apply to the SCC headquarters where hot lines are available. Besides this, the SCC top executives regularly receive all the persons wishing to express their views on the current problems.

With regards to harmonization of the import duties within EurAsEC, it has been mentioned that the process is not so simple as it seems. Since the process of harmonization of the import tariffs should take into account not only the economy development level but the economic priorities of each state. For us this process is especially difficult, as Uzbekistan has joined EurAsEC quite recently, and by the end of the year we need to accede to all the EurAsEC basic treaties and agreements.

AmCham members noted with satisfaction that the monthly meeting has become one of the most interesting meetings of the latest. Lively discussion and the speaker's readiness to establish contact with the audience was cordially welcomed. The Board of Directors would like to seize this opportunity to thank Mr Chipiga, and it looks forward to continuing fruitful contacts. Contributed by V.A. Chipiga, Chief of the Legal Department of the State Customs Committee of RUz and translated into English by Lyubov Belokon.

Contributed by V.A. Chipiga, Chief of the Legal Department of the State Customs Committee of RUz and translated into English by Lyubov Belokon.





Saidrasul Bakiev was born on July 22, 1974. In 1992-1993 he studied in US majoring in business administration during the fall semester of 1992 and in political science during the spring semester of 1993. After returning from US, and while continuing his studies at the Tashkent State Economics University (TSEU), he joined the Economic Development Institute of the World Bank.

In 1995, Saidrasul has graduated from TSEU and joined Arthur Andersen as a staff auditor. In 2000 Saidrasul was appointed as a Head of Arthur Andersen's practice in Uzbekistan, which merged with Ernst & Young in 2002. Saidrasul has an experience of working in Milwaukee, WI office of Andersen in 1999; Houston, TX, and Moscow, Russia, offices of Ernst & Young in 2004-2006.

Saidrasul has over 11 years of experience providing a wide range of attest and advisory services to the Uzbek government, the Central Bank of Uzbekistan, local and international clients in banking, leasing, insurance, telecommunications, hospitality, oil and gas, transportation, mining, textile, retail consumer products, manufacturing and construction industries. Saidrasul is a Certified Auditor of Uzbekistan and Certified Public Accountant in the State of Maine, USA. Married, has a son (9) and a daughter (1.5).

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**Saidrasul Bakiev, Audit Director,
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Dr. Tatiana Okunskaya, Executive Director,
Excellencies,
Distinguished Members of AMCHAM,
Distinguished Invitees,*



A Talk by Ambassador Sajjad Kamran At the Monthly Meeting of American Chamber of Commerce in Uzbekistan 24 August 2006

1992. The agreement envisaged cooperation in a wide range of areas including industry, oil & gas, mining, communications, ports & shipping, science & technology, agriculture, trade, sports, tourism and culture. Although progress was limited on any of the understandings reached between the two sides, still bilateral trade between Pakistan and Uzbekistan grew rapidly during the 90s.

4. Pakistan's exports to Uzbekistan registered an impressive increase during 1992-96. In the year 95-96 the export figure rose to US\$43.36 million. In 1998-99 Uzbekistan's exports to Pakistan were worth US\$64 million. However, the rising trend did not continue for long as the exports gradually declined to US\$2.8 million in 2004-2005. In 2004-2005 the total volume of trade was 14 million US\$. The decline was caused mainly by restrictions on convertibility of currency and repatriation of import sale proceeds, introduced in the latter half of 1996. The state of bilateral political relations, affected by the situation in Afghanistan was the other major cause.

5. In the recent years, the major items of Pakistan's exports to Uzbekistan have been: medical & pharmaceutical products, sports goods, leather goods, cereals, cotton fabric and apparel etc. Uzbek exports comprise raw cotton, synthetic textile fibre, iron & steel, fertilizers and chemical materials & products.

6. You are all aware that the above-referred restrictions on trade introduced by the Uzbek government in 1996 were relaxed towards the end of 2003. Convertibility was allowed and companies were permitted to remit foreign exchange for their imports. During the last two years, therefore, the business environment has shown signs of improvement. However, of late there have been occasional complaints of non-availability of foreign exchange for imports.

7. During the past decade, Pak-Uzbek commercial relations have also been negatively affected by the rather strict Uzbek visa regime. Business visits from both sides during the last many years have therefore been minimal. Recently there has been some relaxation in visas from the

1. Allow me at the outset to express my profound thanks for your invitation to address this important forum. I consider it a great honour to share some of my thoughts with you on Pakistan's trade and economic relations with the Republic of Uzbekistan. My presentation is based on official facts and figures. I will gladly answer any questions that you may wish to ask me at the end of my talk.

2. Let me for a while take you to the past. Pakistan was among the first countries to establish diplomatic relations with Uzbekistan in August 1992. Pakistan International Airlines (PIA) was the first non-CIS airline to fly between Pakistan and Uzbekistan.

3. Soon after Uzbekistan's independence, a Trade & Economic Cooperation Agreement was signed between the two countries in

Uzbek side. At Pakistan's request, the Uzbek government is in the process of preparing a draft visa MoU. On the contrary obtaining a visa by Uzbek nationals intending to visit Pakistan is quite easy. Moreover since July this year, acting unilaterally, the government of Pakistan has included Uzbekistan in the list of countries whose nationals can get a business visa on arrival in Pakistan.

8. In March 2005, President General Pervez Musharraf paid an official visit to Tashkent and held wide ranging discussions with President Karimov on a large number of issues of mutual interest. Promotion of trade and economic relations was high on the agenda. On that occasion, the land-locked Uzbekistan was offered to make use of the three Pakistani ports including the new one at Gwadar for trade purposes. May I highlight here that Pakistani ports in the south of the country offer the shortest land route to Uzbekistan a distance that ranges between 2,528 km to 2,789 km. Two agreements, one on cooperation in the fight against terrorism and the other on culture were signed. President Musharraf's visit gave the much-needed impetus to bilateral relations.



9. Pakistan and Uzbekistan Joint Commission on Trade, Economic, Scientific and Technological Cooperation was set up in 1993. The Commission did not meet for more than a decade after its first Session that year. During President Musharraf's visit to Uzbekistan in March 2005, it was decided that the Joint Commission be revived. In pursuance of the decision, the 2nd Session of the Commission was held in Tashkent on 28-30 December 2005. The Commission noted the need for enhanced economic and scientific cooperation and decided that the following measures

would be taken to achieve that end:

- The sides will consider entering into an 'Agreement on Traffic in Transit' to facilitate transit trade and transportation between the two countries.
- The sides will review their visa regimes with a view to easing restrictions on visits of each other's nationals. A MoU will be signed, the draft for which will be prepared by the Uzbek side.
- Pakistan side would provide an export credit of \$5 million to the Uzbek side for purchase of machinery/equipment and engineering goods from Pakistan. (The credit has been formally offered to the Uzbek side. Their response is awaited)
- A Joint Committee on Science and Technology will be set up.
- A MoU will be signed between the two countries for increasing cooperation in food & agriculture. (This MoU has been signed).
- Details of the Cultural Programme for 2005-09, under the Cultural Agreement 2005 will be exchanged through diplomatic channels.
- Correspondent relations will be established between commercial banks of the two countries. (These have been established).
- A delegation of Trading Corporation of Pakistan will visit Uzbekistan to discuss purchase of cotton. (The visit took place from 6-12 February 2006)
- Both countries will hold single country exhibitions in each other's country.

- Both countries will encourage visits of business delegations.
- Uzbek side will consider Pakistan's offer for import of LNG, while the Pakistan side would consider the offer of sale of IL76 Aircraft by Uzbekistan.



10. In May this year, President Islam Karimov paid an official visit to Pakistan. Again the two sides discussed a large number of issues and expressed their determination to expand trade and economic ties, in particular. On this occasion, 9 agreements/MoUs related to Small and Private Enterprises (SPEs), Agriculture, Plant Quarantine, Trade, Economic and Investment, Customs, Chambers, and Banking were signed. The momentum set by President Musharraf's visit was accelerated further by President Karimov's visit. A quick dividend of these developments was the resumption of flights by Uzbekistan Airways on the Tashkent-

Lahore sector w.e.f 17 July this year. As a consequence of these developments, the frequency of exchange of delegations during the past one year has shown an unprecedented increase.



11. The full potential of Pakistan-Uzbekistan trade can only be achieved once the land route through Afghanistan becomes fully operational. Road conditions as well as security situation in Afghanistan are gradually improving and commercial traffic from Pakistan is already plying up to the northern most points of the country. What we need now is a transit transportation arrangement with Uzbekistan, which could later be extended, to other countries in the region. A draft agreement to this effect has already been worked out and is under consideration

by the two sides.

12. Pakistan-Uzbekistan relations in any field are far below their potential. Its optimum realization depends a great deal on the will of the two governments and their private sectors. I believe strongly that business is businessmen's job. The governments are there as regulatory bodies. The agreements recently signed by the two countries provide a solid foundation for cementing further close bilateral ties. However, these agreements would remain ineffective unless implemented in a timely manner. Since the leaders of the two countries have underlined their commitment to bring the bilateral relations to a higher level, unless something dramatic happens in an adverse sense, a gradual expansion in relations can be hoped for over a period of time. This provides me with an opportunity to conclude my talk on an optimistic note.

13. Separately from the trade business, I wish to avail myself of this opportunity to express my profound thanks to the AMCHAM members for their generous donation towards Pakistan President's Relief Fund following the devastating earthquake in Pakistan in October last year. This noble gesture was appreciated at all levels.

14. Thank you for listening to me patiently. I am now open to questions.



Some time ago Charles Rudd asked me to write an article on "Microfinance in Uzbekistan" for the next issue of Business Connections. Excellent, I said, in all of the 18 months I have spent in Uzbekistan the establishment of the Microfinance Bank was the most important issue for me.

Then Charles sent an e-mail with a link to an article on Microfinancing and more details on the story he was expecting from me it should now cover my views on the history, current situation, and future prospects and benefits of microfinance for the Uzbek economy, all on 2 pages (maximum), great. Since this is

obviously impossible, I decided to focus on the issue raised in the article "Microfinance is Not Enough for Rural Financial Development, Says the New ADB Book" (to be found at <http://www.adb.org/Media/Articles/2006/10473-Central-Asia-microfinance>).

The main point made in the book presented in the article is that "while microfinance institutions are certainly needed to provide access to financial services by poor households and micro enterprises, the book says that rural people, including poor people, need deposit and payment services as much as if not more than access to credit. Thus, commercial banking institutions will inevitably remain the predominant players in rural financial markets across the region for the foreseeable future."

There are many stories about animosities, conflicts and wars between International Finance Institutions (IFIs); unfortunately, many of them are true. The community of development bankers seems to be no different from any other international community. However, I am happy to state I could not agree more with the point made by ADB; indeed, it is not enough to provide just micro loans and that applies not only to rural people but to urban micro-entrepreneurs as well. They need a whole range of financial services tailored to meet their needs in many respects: localized close to where they live and work, not too expensive, etc.

So far in Uzbekistan, as in many other developing countries, the offer of support is limited to micro loans and even those are available to a very limited number of potential clients. According to a recent market study, out of an estimated 1.9 million entrepreneurs only 3.7% use credit from the formal financial sector, including commercial banks, Microfinance Institutions and Credit Unions. In terms of volume, the total unsatisfied demand for loans is estimated between 80% and 93%, depending on the anticipated average loan amount.

This statistics could be used as brief description of the history, current situation, and future prospects of microfinance in Uzbekistan. Whatever was done so far is not enough and the demand is huge. Institutions that would be able to fill at least part of this enormous gap between demand and supply would not only support development of private sector, but also should be a commercial success. Of course, such institutions should not be providing only micro loans, but full range of financial services: deposits, money transfers, overdrafts, etc.

I know that many people do not believe that such institutions could be a commercial success; they point out that getting close to micro-entrepreneurs and farmers is very expensive, that the scale of business is very small and it is impossible to make it profitable. It is true, that applying standard approach of retail banking to microfinance would, most probably, result in commercial losses. That is why special technology is needed. It is clear that completely different approach and tools are required in corporate project finance and in consumer lending,

similarly there are financial technologies which make micro lending and providing of other financial services to micro and small businesses, including farmers, profitable.

In order to prove this ADB, IFC, KfW, OPEC and EBRD would like to establish a bank focusing on microfinance in Uzbekistan. The idea is to set it up, demonstrate that it could be a commercial success and in several years sell it to commercially oriented investors. It was done in other countries; there is no reason why it could not be done here. I visited projects financed by micro loans in many areas of Uzbekistan. One of them is the production of silk fabric in Margilan, where all technological processes are divided among 11 families living in one mahalla. In Kokand a group of entrepreneurs is using micro loans to finance production of clay tandirs (ovens used to make local bread 'lepyoski' and meat pies). Elsewhere a retired teacher is producing wooden cradles; he learned it from his father and is teaching his son, who will be already the sixth generation in this family of cradle producers. There are already thousands of examples here in Uzbekistan that micro financing can make peoples' lives easier and better.

Unfortunately, I will be watching developments in this area from some distance quite soon, but I will remain a great fan of the Uzbek micro and small entrepreneurs and farmers, as well as microfinance. Author: Andrzej Witak, Head of Office/Senior Banker, European Bank for Reconstruction and Development (EBRD) Tashkent Resident Office in Uzbekistan 2005-2006.



Political Risk Insurance (PRI) provides a financial solution to illegal or unwarranted government intervention. Buyers of PRI include Contractors, Commodity Traders, Corporate Investors and Banks (financing contracts, projects or assets) operating in emerging markets. The product can be divided into two broad categories - coverage for Trade Risk and coverage for Investment Risk.

In terms of Trade Risk PRI provides cover for clients that are entering into trade and service contracts. The chief risk is Contract Frustration, whether by a public buyer who refuses to pay (including the non honouring of a state guarantee) or the inability of either party to carry out their part of the contract as a result of political events (for example embargo, license cancellation or war). Cover is also available for the Wrongful Calling of on-demand guarantees,

either by a public buyer or by a private buyer as a result of political events. PRI for Investors mitigates the uncertainty of investing in a country for both equity holders and lenders. Coverage includes Confiscation, Expropriation and Nationalisation which protects the investment from action by the host government. Coverage can be extended to include perils such as Currency Inconvertibility, abrogation by the Government on a signed concession or agreement, War and Political Violence. AIG has been underwriting political risk since the 1970's and has the market's longest continuing political risk reinsurance treaty. During this period the company has paid over \$431 million in claims to its clients. AIG can offer cover of up to \$85 million for any single risk with a maximum policy period of up to 15 years and is rated AA+ by S&P. AIG Political Risks thus offers experience, financial strength and the ability to provide wide ranging, long term, large scale financial solutions for clients operating in emerging markets. AIG also has a strong presence in Uzbekistan through Uzbekinvest International Insurance Company (UIIC). UIIC is a joint venture between Uzbekinvest, the state insurance provider (80%) and AIG (20%). The joint venture has helped to promote trade and investment into Uzbekistan providing clients with risk-mitigation from professional insurers at previously unavailable levels. Written by Oybek Khalilov, Vice President, UzAIG and Vice President, American Chamber of Commerce in Uzbekistan.

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Acts of Legislation

By the Decrees of the President of the Republic of Uzbekistan

- **Eloyr Majidovich Ganiev** is appointed to the post of the Minister for Foreign Economic Relations, Investment and Trade of the Republic of Uzbekistan. Previously he was holding the rank of the Vice Prime Minister of the Republic of Uzbekistan, Minister for Foreign Affairs, and Chief of the CB Complex for Foreign Economic Relations;
- **Vladimir Imamovich Norov** is appointed as the new Minister for Foreign Affairs of the Republic of Uzbekistan, having replaced E.M.Ganiev. Previously Vladimir Norov was working as the Deputy, First Deputy to the Minister for Foreign Affairs of the country. State Adviser to the President of the Republic of Uzbekistan, and as the Extraordinary and Plenipotentiary Ambassador of Uzbekistan to Germany and Belgium.
- **Rustam Djavdatovich Kurbanov** is appointed to the post of the Minister for Culture and Sports of the Republic of Uzbekistan. Formerly he was working as the Chairman of "Uzbektourism" National Company. In his new-capacity he supersedes A. A. Azizkhojaev who has been commissioned as the Press Secretary of the President of the Republic of Uzbekistan.

* * *

The Law of the Republic of Uzbekistan "On Microfinancing" (#ZRU-50) became effective on September 16, 2006. The Law is to regulate the relations in the sphere of microfinance services, satisfy the needs of citizens and entrepreneurs in financial facilities and services. Banks, credit unions, microcredit agencies, pawnshops and other credit institutions are the entities to provide the microfinance services, i.e. microcredits, microloans, microleasing.

The sum of any microcredit to be granted to a borrower for his entrepreneurial business on terms of serviceability, maturity and collectibility should not exceed one-thousandfold minimum wage rate. In compliance with the agreement, microcredits may be goal-orientated.

Microloans mean funds to be granted by the microcredit institutions to a borrower- physical person on terms of maturity and collectibility, and, in the cases stipulated by the agreement, - on terms of serviceability; the sum of such microloan should not exceed one-hundredfold minimum wage rate. **Microleasing** means services that envisage, upon the lessee's instruction, acquisition of property by the microfinance services institution from the third party, and assigning of such property to the lessee's possession and usage for value, in line with conditions specified by the agreement. Microleasing is granted for entrepreneurial business, and, in compliance with the lease-legislation, its value should not exceed two-thousandfold minimum wage rate.

According to the Law, the borrower is empowered to return the sum of received microcredit or microloan in advance, and pay accrued interests for the period of its actual usage. In the case the borrower fails to fulfill his liabilities, the guarantor or bail will be obliged to redeem the borrower's indebtedness at sight, by maturity, in compliance with the agreement.

* * *

The Law of the Republic of Uzbekistan "On Firm Names" (#ZRU-51, September 18, 2006) is to regulate the relations in the sphere of legal protection and use of the firm names of the legal entities. The name should denote the organizational and legal form of any legal entity, and, in specific cases, - the nature of its activity, and it should not contain:

- the official name of the state, abbreviated or full name of the international, inter-governmental or non-governmental non-commercial organization;
- full or abbreviated name of a historical or prominent person of the Republic of Uzbekistan, without permit to be issued in compliance with the established procedure;
- symbolism which is false or capable to misinform the customer about the firm name holder, scope of his activity or country of his origin;
- symbolism that contradicts the interests of the society, principles of humanism and morality.

Firm names should not contain identical symbols or those ones being similar to a level of confusion.

The Law sets up a possibility for granting the right to use the firm name when, based on the license agreement or agreement for the comprehensive entrepreneurial license, the legal entity (licensor) may allow the other legal entity (licensee) to use his firm name.

Lapse of right for the firm name shall be admitted only in the case of the legal entity merger; incorporation, demerger and split-off, or sale of the enterprise as a whole property complex.

Also, the Law guarantees the firm name legal protection, and the ways of such protection are defined herein.

* * *

In compliance with the Law of the Republic of Uzbekistan "On Microcredit Institutions" («ZRU-53, September 20, 2006), they can be established, in any organizational and legal form, by the legal entities and(or) physical persons, except for the state authorities, political parties, professional unions and religious organizations. The microcredit institution shall not be in power to directly run production operations, insurance, trade and agency businesses, and other types of activity. It may provide the microfinance services as below:

- accommodation of microcredits and microloans;
- purchase and sale of debt obligations (factoring);
- microleasing (financial lease) where the microcredit institution operates as the lessor;
- providing of the other microfinance services including extension of consumer credits, as prescribed by the law;
- consultancy and information services associated with accommodation of micro credits, micro loans and micro leasing.

To maintain stability of the financial system and ensure protection of the borrowers' and creditors' interests, the Central Bank of the Republic of Uzbekistan shall regulate the activity of the micro credit institutions.

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(Material from published articles compiled by Uzbek A. Ritstamov General Representative, Interconee/s Inc. Trans/a/ion to English; Lyubov Belokon)

In September 2006 there has been put into operation one more special fast train «Shark» running between Tashkent and Bukhara. The train has economy and business class passenger cars. Economy class cars have comfortable chairs similar to those used in airliners. Business class cars have comfortable six-person compartments. There is also a VIP compartment in this new train. All its cars are equipped with computer, video, and air conditioning systems. The train has made it possible to considerably cut down the time of the journey (up to 8 hours).

Air Travelers Now Set To Fly To Moscow From Termez Too. Following the years-long pause, the flights along the air route Termez-Moscow and return has been reestablished. Thanks to the efforts on the part of Russian airlines the «Moskovia» agency is reported to have launched a ticket office in Termez. According to the report, there is a discount for the retired, young men and women, as well as family travelers - the trip would cost for them a quarter cheaper compared to the usual ticket price. «Moskovia» also plans to open agencies of «Domodedovo Airlines» and «Acroflot» for the direct access to destinations around the world from the south of Uzbekistan.

19-20 October 2006. International scientific conference «Great Silk Road. Culture and Traditions. The Past and the Present», will be held in the International Caravan-Saray of culture of Ikuo Hirayama of the Academy of Fine Arts of Uzbekistan. The conference is organized by the Academy of Fine Arts of Uzbekistan, Fund Forum of Culture and Art of Uzbekistan, the UNESCO mission in Uzbekistan, the Ministry for Culture and Sport of the Republic of Uzbekistan, and the International Caravan-Saray of Culture of the Academy of Fine Arts. The aim of the conference is to attract the world community's interest in restoring the Great Silk Road. The conference, turned out to be already an annual conference, will be attended by historians, archaeologists, restorers and experts from the countries of Europe, Central Asia, Australia, Russia, South Korea, Japan and other states. Uzbek historical, cultural artifacts to go on display in Brussels. The Royal Museum of Arts and History of Belgium launched the preparation work to stage the exhibition «Samarkand at the crossroads of the Great Silk Road: treasures of Uzbekistan museums». The Museum has already started the preparation works for the exhibition, the holding of which is scheduled to 2009.

Ancient Silk Road to get its modern railway counterpart under UN auspices. From Armenia to Viet Nam. through Uzbekistan an 'iron' version of the tamed Silk Road will move a step closer to reality next month when Asian transport ministers sign an agreement under United Nations auspices for a transcontinental rail network to link their capital cities, ports and industrial centres, and facilitate international trade and tourism. The Trans-Asian Railway Network (TAR) Agreement, to be signed at the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) Ministerial Conference on Transport from 6-11 November in Busan, Republic of Korea, comes on the heels of the Asian Highway Network that came into force last year, also under UNESCAP auspices. Uzbekistan is also a member of TAR. Tourism for exhibitions - exhibitions for tourism. Tourist services markets are the essential segment of the congress - exhibition business. The autumn exhibition season in many large cities of the world, including in the capital of Uzbekistan goes full blast. In the turn of these bright events, some of which now and then resemble colourful holidays and large showrooms of the newest achievements in different branches of the economy, and tourist exhibitions occupy not last place.

The number of different, large and small exhibitions and fairs in our country will soon approach one hundred. Among the leading branch exhibitions, conducted in recent years in Uzbekistan, the most authoritative from the point of view of age, perhaps, is the Tashkent international tourism fair (TITF) «Tourism along the Silk Road». During October 24-26th of this year, TITF will be held the twelfth time in the capital of our country. It will be also worthwhile to recall that many presently well-known specialists of exhibition business in Uzbekistan obtained their first experience in this difficult career precisely at this Tashkent tourist fair, which had become already sufficiently prominent among tourism professionals. Presenting unique tourism product under the brand «The Silk Road», TITF enters the list of the largest international events, being

conducted annually in the world under the aegis of the World Tourism Organization of the United Nations Organization (UN WTO).

130 public places in Tashkent will have Wi-Fi Internet access. As a part of the «Invasion Wi-Fi» program the Uzbek Company Sharq Telekom is going to supply with wireless sites of Internet access through Wi-Fi technology to about 130 public places in Tashkent, Pravda Vostoka newspaper reported on October 6, 2006. Thus, the Internet users including tourists and business travelers, would be able, while at theaters, cafes or restaurants, to have a free access to the worldwide web provided by the Sharq Telekom Company. Up to date, 26 cafes and restaurants in Tashkent have been supplied with such modern type of services, the report concluded.

And the last, but not the least note: As it was announced at the 10th anniversary of AMCHAM, all AMCHAM members will get special discounts in the hotel «SEMURG». For more information, contact Nargiza at (998-71) 139-16-20/80 or via e-mail: seaf.uz@gmail.com

Tourism Exhibitions Calendar 2006

- October 11 - 13 - UKRAINETRAVELMARKET(UKRAINE)
- October 18 - 20 - SEATRADE MEDITERRANEAN CRUISE & FERRY CONVENTION (NAPLES - ITALY)
- October 20 - 22 - TTGINCONTRI (RIMINI - ITALY)
- October 24 - 26 - TTW MONTREUX (MONTRE - SWITZERLAND)
- October 25 - 28 - TOUR SALON (POZNAN - POLAND)
- October 25 - 28 - INTERNATIONAL TOURISM SALON (MONTREAL - CANADA)
- November 02 - 05 - BAUCON YAPEX 2006 (ANTALYA - TURKEY)
- November 06 - 09 - WTM - WORLD TRAVEL MARKET (LONDON - GREAT BRITAIN)
- November 09 -12 - FIERACAVALLI (VERONA - ITALY)
- November 16 - 19 - PHILOXENIA (THESSALONIKI - GREECE)
- November 16 - 19 - SENIORENMESSE (VIENNA - AUSTRIA)
- November 17 - 20 - XENIA (ATHENS - GREECE)
- November 20 - 23 - IGTM - INTL GOLF TRAVEL MARKET (ANDALUCIA-SPAIN)
- November 22 - 26 - TOURISTIK CARAVANING (LEIPZIG - GERMANY)
- November 23 - 26 - CITM - CHINA INTERNATIONAL TRAVEL MART (SHANGHAI-CHINA)
- November 28 - 30 - EIBTM (BARCELONA - SPAIN)
- November 30/11 - 3/12 - INT'L TOURISM SALON (ATHENS - GREECE)
- December 01 - 03 - REISEM ARKT INT'L (COLOGNE - GERMANY)
- December 04 - DUBAI INTERNATIONAL MARITIME AWARDS PRESENTATION DINNER (DUBAI, UAE)
- December 04 - 06 - SEATRADE MIDDLE EAST MARITIME (DUBAI, UAE)
- December 04 - 07 - INTERNATIONAL LUXURY TRAVEL MARKET (CANNES-FRANCE)
- December 05 - 07 - LUXURY TRAVEL EXPO (LAS VEGAS - USA)



**Contributed by Nargiza Ogulchansky (SEAF) with the help of
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