



Dear Members and Friends,

As the year comes to a close you are probably facing some of the same questions I am, namely, where did the time go, why have I not achieved more, and what am I going to do next year if the same conditions prevail.

For most of us in the business community we are obliged to deal with budgets, forecasts and business plans that have an important impact on our livelihood as they are often used as benchmarks of our accomplishments and achievements. The past year has been full of challenges and it would seem that 2008 will be more of the same with our local uncertainties being compounded by many of the events and happenings abroad.

While AmCham ends the year in good financial health with a committed membership, we will enter the New Year with a new executive director and the prospects of a variety of innovations designed to provide more value to each of you.

I am also hopeful that AmCham will be able to pick-up and involve itself with the priorities being established by such organizations as the Shanghai Cooperative Organization and the U.S. Chamber of Commerce's Eurasia Business Platform, where regional integration and collaboration are key themes and trade, customs and the movement of goods and services are targeted areas for improvement.

There is no lack of things to do but let me first and foremost thank each of you for your support to AmCham and to then wish you and your families the very best in the months and year ahead.

Warmest regards,

Don Nicholson



Dear Readers

As we go to press we can look at 2007 as a significant year of uncertainty, changes, new elections and opportunities for both AmCham and Uzbekistan. Our next issue will introduce to our readers a new AmCham Board of Directors and a new AmCham Executive Director who will replace Dr. Tatiana Okunskaya. We wish Tatiana all the best in the future and we personally want to thank her for her dedication and hard work on behalf of the AmCham community.

This is the fourth issue of Business Connections in its expanded format and we continue to present our regular features about recent changes in legislation, decrees and resolutions which affect our business community, tax and customs news, reports on past events, AmCham member profiles, feature articles, interviews, committee activities, and regional AmCham news.

We have added in this issue a new feature article titled "Tips and Hints from AmCham Members" where our members share their experience and expertise with our community. I hope this article will encourage others to contribute similar articles to our magazine.

Our publication needs your inputs, suggestions and criticisms in order for it to properly reflect the interests of our AmCham community and to help mold the image AmCham wants to project to our friends, partners and host government.

Charles Rudd

Uzbekistan is a country famous for its rich cultural heritage. No surprise, therefore, that expats posted to this Central Asian republic often frequent the country's bazaars and antique shops to procure cultural souvenirs for their return home. Unfortunately, far too many of these foreign buyers are unaware of the heritage protection laws which complicate the export of items of cultural importance from Uzbekistan (such as carpets, paintings, religious artifacts...even CD's and DVD's). For this reason, it is not unusual for Customs officers to seize such articles when they lack the necessary Ministry of Culture export documentation. This is why it's important to contact a freight forwarder who is familiar with the procedures and regulations of exporting culturally sensitive items.

Move One Fine Art Shipping, a division of the global Move One Group, has been active in Uzbekistan since 2001. Our fine art shipping experts are fully briefed on all the rules and regulations pertaining to the export of cultural items from Uzbekistan. Our experience ensures that our clients obtain the necessary certificates from the Ministry of Culture within a short time frame, and with minimum hassle. Prior to export our team will identify and photograph your souvenirs for a preliminary examination and arrange for a Ministry of Culture representative to view the item for final approval before issuing the export certificate. Even your DVD collection will need to be checked one by one in order to ensure that there are no items deemed offensive or detrimental to the cultural or political integrity of Uzbekistan.

It is important to note that such certification not only applies to items bound for export. International assignees who enter Uzbekistan with antiques or items of cultural importance are also advised to obtain Ministry of Culture certificates for their temporary import as well. This will ease the process when it comes time to re-export the items during repatriation. If these certificates are not obtained, the export process will be far more costly and complicated. For example, if the item is more than 50 years old, it may not be granted exit at all, but rather kept on the territory of Uzbekistan where it could be declared an item of cultural significance despite its provenance.

Items deemed of cultural importance include:

- Items, associated with historical events, society/state development, science and technology history, also related to the life of prominent people;
- Arms which have historical, cultural or scientific importance;
- Items of artistic value containing precious metals and stones;
- Items and their fragments that were obtained during archeological or geological digs;
- Hand paintings or drawings;
- Original sculptural works and art compositions;
- Religious artifacts;
- Ethnographic objects;
- Engravings, prints, lithographs and other kinds of graphic arts and their original printing forms;
- Applied art works (made of glass, ceramics, wood, metal, bone, textile, etc.);
- Composition parts and fragments of architectural, historical and art monuments;
- Ancient books and also publishing material of historical, scientific, art and literature interest (separately or collection);
- Rare manuscripts and documentary monuments, archives;

- items from philatelic, numismatic, etc. collections;
- coins, orders, medals, stamps, postcards (envelopes) and other items of collection;
- rare collections and samples of flora and fauna;
- items, which are of interest for such fields of science as mineralogy, paleontology, anatomy;
- household and scientific equipment and instruments (watches, barometers, scales, binoculars, photo and movie cameras, sewing machines, etc.)
- other movable items (including copies), which have historical, scientific, art and cultural importance.

Certain items can only leave Uzbekistan temporarily, these include:

- items made over 50 years ago;
- items registered by state on the list of protection of cultural heritage;
- items permanently preserved in state and public museums, archival depositories, libraries and other depositories of Uzbekistan.

With our years of experience in the Uzbek market, Move One Fine Art Shipping is on hand to help international assignees navigate the bureaucracy inherent in shipping cultural items in and out of the territory of Uzbekistan.

Prepared by: David O'Connor, AES Cargo/Move One Relocations

EFCA Recognized for Best Contribution to US-Kazakhstan Relations Central Asia, Kazakhstan

US Ambassador to Kazakhstan John Ordway recently presented Eurasia Foundation of Central Asia (EFCA) with the Ambassador's Award for Best Contribution to US-Kazakhstan Relations on behalf of the American Chamber of Commerce in Kazakhstan.

"EFCA has shown innovation and persistence in establishing an indigenous foundation in Central Asia that will strengthen civil society throughout the Central Asian region, fulfilling a critical U.S. government goal," said Ambassador Ordway during the presentation ceremony.

Upon accepting the award, EFCA President Jeff Erlich thanked the members of the American Chamber of Commerce, and also expressed gratitude to the governments of the United States and Kazakhstan for their continued support of EFCA. The ceremony which took place in Almaty was attended by about 150 people.

EF first opened its offices in Central Asia in 1993, and went on to invest more than \$40 million in the region. In 2005, EF localized its activities in Central Asia with the launch of EFCA to better meet the needs of its local partners and devolve management responsibilities to local staff.

Dear AmCham Members and Friends!

Since its establishment in 2005 AmCham in Kyrgyzstan fosters a favorable business environment and a positive investment climate through the provision of relevant and timely information and the effective advocacy of business interests.

Our Team organized such variety events and discussed prospective joint projects with our potential partners. As a result of our work, I am pleased to note that during a few months the number of our members has been increased by 111%. In July the new AmCham team held a "Assessment Need Discussion" with AmCham members. During the meeting our members identified such priorities as strengthening advocacy work, AmCham visibility and communication with Regional AmChams.

Within the advocacy component AmCham conducts such events as round tables, discussions and luncheons. For instance, we scheduled a business lunch "Business in Kyrgyzstan: opportunities, challenges and risks" in mid November. AmCham Members will have an opportunity to address various questions and comments to the respective top officials ranging from investment, tax, customs, and trade to regulatory and law-making issues. Beyond above mentioned events, in near future we plan to gather recently established AmCham committees to identify their goals and activity plans. The work of the committees will allow us to maintain a constructive dialogue with target state officials and effectively lobby corporate interests of AmCham members. Talking about our visibility AmCham tends to continue producing a monthly newsletter in modifying format and initiated publishing of a quarterly magazine. We expect a first issue of our magazine at the end of November.

Finally, our Members in Kyrgyzstan are deeply interested in establishing sustained contacts with AmCham Members in Kazakhstan and Uzbekistan. Together with AmChams from these countries we do hope to organize and put into practice regional forums in order to address regional business development issues and institutionalize a network among our members.

Kind regards, Ainura Cholponkulova

Working meeting of AmCham Kyrgyzstan with banks (September 20, 2007)

On September 20th AmCham Kyrgyzstan held a working meeting with the directors of leading banks, functioning in Kyrgyzstan.

Goal of the meeting- identifying and discussing ways of partnership and implementation of joint projects with the representatives of banking structures.

Among invitees were: DEMIR Kyrgyz International Bank, Asia Universal Bank, ATF Bank-Kyrgyzstan, Russian-Kyrgyz "Amanbank", Bank of Asia, Bakai Bank, INEKSIMBANK, Kazkommerzbank-Kyrgyzstan, Kyrgyz- promstroibank, Commercial Bank of Kyrgyzstan, Tolubay Bank, Finance Credit Bank, Halyk Bank Kyrgyzstan, EcoBank, Union of Banks of Kyrgyzstan as well as a representative of the Company SOYUZTRASLINK.

AmCham expresses special thanks to Managing Director of "Deloitte and Touche" LLC and the AmCham Board Member Aliya Kerimbaeva for collaboration in holding this meeting, and Hotel HYATT Regency Bishkek for support in organizing the event.

Consultants of the State Tax Committee of the Republic of Uzbekistan Ms. Shmakova Natalya Nikolaevna and Ms. Alishaeva Rano Khamidovna and UNDP Project Manager-Capacity building of institutions in Uzbekistan, and strengthening of foreign trade and investment promotion, Mr. Sharipov Bakhodir are the honorary speakers at AmCham Monthly Meeting

The long standing member of American Chamber of Commerce in Uzbekistan Uzbek-American Joint Venture COSCOM has sponsored the August 2007 AmCham Business Mixer in Hotel Grand Mir. All guests were welcomed by the outgoing General Director of COSCOM, Mr. Abraham Smith. Mr. Smith has left Uzbekistan for Maldives where he will pursue his career in the telecommunications business. The AmCham Business Mixer turned into a very warm farewell party for Abraham. All AmCham members present at the Business Mixer have taken an opportunity to exchange contact information and to wish Abraham all the best in his new life. At the same time the Business Mixer became a benchmark for AmCham community in resuming its activity after a very hot summer. The cool evening breeze at the terrace of Grand Mir Hotel was refreshing and energizing.

On October 4 2007 the Director of Tashkent International School (TIS), Mr. Kevin Glass, has sponsored the American Chamber of Commerce Business Mixer in the main hall of TIS. It was a truly remarkable event allowing AmCham members to acquaint themselves with the modern facilities of TIS and the range of programs offered to students of TIS. Being a wonderful host Mr. Glass not only entertained his guests with a tour on all the premises but also treated AmCham members to exceptional refreshments. It was a real pleasure to welcome at the AmCham Business Mixer representatives of several embassies including such countries as Germany and USA. Participants of the AmCham Business Mixer have lively discussed different forms of cooperation with TIS.

Remarks by His Excellency Ambassador Extraordinary and Plenipotentiary of the United States to Uzbekistan, Richard B. Norland

It is an honor to be here. Even before arriving, I heard from former U.S. Ambassador to Uzbekistan Jon Purnell and Deputy Chief of Mission Brad Hanson that the relationship with AmCham is one that the Embassy prizes very highly, and after two opportunities to meet with the Board of Directors since my arrival on September 13, I can see why. American Chamber of Commerce President Don Nicholson and his colleagues, and all of you assembled here, epitomize the spirit of entrepreneurship that is at the heart of American commerce. Given that you are all doing business, or trying to, on one of the key byways of the Great Silk Road, we should refer to you not as venture capitalists but as “adventure capitalists.” I have great respect for what you are doing, and my main message here tonight is that the U.S. Embassy intends to sustain what has been for us, and I hope for you, a very meaningful, vital and enjoyable relationship.

I have always appreciated the chance to interact with American Chambers of Commerce at posts overseas. Before serving most recently in Afghanistan, I was in Riga, Latvia for two years, where there is a small but thriving AmCham that is addressing some of the same challenges and opportunities faced in parts of the former Soviet Union.

My last two years, in Afghanistan, were for understandable reasons not focused on promoting American business though in fact a few American companies have begun to explore prospects there in the areas of textile manufacturing, fruit production, construction and transportation. I will return to the subject of Afghanistan later in my remarks suffice it to say, I think it is a very important subject and one that those of us living and working in Uzbekistan can do something about.

I think my background in having also served in the Soviet Union at our Embassy in Moscow at the end of the 1980s is going to stand me in good stead as well as I undertake my current assignment and work with you to expand horizons for American business in Uzbekistan. On the one hand, there has been so much change: if you had asked me in Moscow in 1990, would I one day be accredited as the U.S. Ambassador in an independent Uzbekistan, I would have given you a funny look. But the colonial era came to an end, as all colonial eras eventually do, and Uzbekistan is now a proud and not insignificant member of the international community.

I know that a number of American companies have taken advantage of this new climate, and the fact that you are here tonight reflects that there are profits to be made in Uzbekistan. I won't list names so as not to leave anyone out, but I will mention, as the latest example of the kind of progress everyone is hoping for, the recent case of General Motors, whose joint venture with Uzavtosanomat holds great promise for creating jobs in the Ferghana Valley and selling lots of Chevrolet-brand vehicles in the Central Asian and Russian market. I hope GM has added its name to the distinguished roster of AmCham members here in Tashkent.

I've asked my interlocutors how we can follow up on those recommendations to bring them to life. I am hopeful that as our dialogue matures, we will make progress on this area of vital importance to you and to Uzbekistan.

Let me turn to the broader topic of U.S.-Uzbek relations. You know better than most that the relationship has seen its ups and downs in recent years. Some of this may be attributable to the different cultural perspectives that Westerners and Central Asians bring to bear. Some of it is due to real differences of opinion on how best to expedite or even define reform. Some of it is due to basic lack of trust in some quarters, exacerbated in the wake of the Andijon tragedy.

One thing is for sure: not long ago the United States enjoyed an extremely successful relationship with Uzbekistan, in which our mutual strategic interests were pursued without sacrificing basic principles on each side, such as the U.S. commitment to human rights or Uzbekistan's commitment to its sovereignty. I firmly believe it is possible to restore such a relationship again, and moreover I believe it is very much in the interests of both countries that we do so. But I am under no illusion that this will happen overnight it will take some time.

I am still new enough here that I continue to assess the best strategy for getting onto this path, and I welcome your input as some of the real experts on the ground. But as an initial proposition, I see three challenges ahead and will be working over the next few months to devise the best approaches for meeting them.

The first challenge is to rebuild trust at a very basic level. We have no hidden agenda here. Our contacts with and support for civil society are about one thing only: helping the people of Uzbekistan, led by their government, to develop the components of a better life for themselves and their children.

Once progress has been made in building trust, as I hope it will be, the next challenge will be to build transparency. Without hard facts and figures, without an open understanding of how processes really work in this country, there will never be a common base of knowledge from which leaders in the business community and elsewhere can operate, and progress will stagnate. Uzbekistan is a major player in this region, and I believe has the self-confidence to withstand the kind of honest self-scrutiny that inevitably comes with market processes. Greater transparency along these lines will result in better understanding between our two countries and help us understand and overcome those obstacles that inevitably arise even in the best of international relationships.

With greater trust and transparency, we should be able, finally, to tackle the third challenge, namely to galvanize the reform process itself and help Uzbekistan fulfill its potential as a pivotal state in Central Asia.

With the largest population, some of the best infrastructure, an educated work force, and links that reach out broadly to the East, West, North and South, it is clear to me that the goals the government has set for itself in terms of regional economic leadership can in fact be realized and even exceeded. The government wants foreign investors to play a role in this process. Our job is to encourage the Uzbek officials to put in place policies that will bring those investors here. They certainly won't come just because someone in the U.S. or Uzbek government tells them to; they need to see the incentives for themselves.

So I believe U.S.-Uzbek relations do have the prospect of steady, gradual improvement interrupted, perhaps, from time to time by occasional misunderstandings or differences of view on matters of firm conviction. One of the reasons why I believe it is so important that we pursue this is precisely because of the regional importance of Uzbekistan, and this also goes back to my earlier reference to Afghanistan.

Consolidating democratic government, peace and reconstruction in Afghanistan remains a top priority for the entire international community and certainly for the United States. Trade, investment and other business ties are critical to building up the private sector in Afghanistan and promoting the transit commerce that will help the region as a whole by linking Central Asia to the ports and markets of South Asia.

Before I close, I would like to pay tribute to my predecessor, Jon Purnell, for his hard work as Ambassador here, and to Brad Hanson, who both as Deputy Chief of Mission and during a long stint as Chargé d'Affaires helped ensure that the Embassy's relationship with the AmCham remained close and productive. I pledge once again that the resources of the American Embassy are at your disposal, and I look forward to hearing your views on how we can work together on behalf of the goal we all share: peace and prosperity for the people of Uzbekistan and the Central Asian region.

The year 2007 for the American Chamber of Commerce (AmCham) in Uzbekistan has turned into the year of Good Governance Program promotion. The AmCham representative office has organized five seminars and works shops for different groups of business community in Uzbekistan.

Trainees of the Academy of Social and State Construction, graduate

program students at the Banking and Finance Academy and participants of training courses at the Higher School of Business have benefited from the seminars and workshops on major issues of good governance and business ethics practices.

The final round of seminars series took place in Bukhara and Samarkand. While the partnership relations with the Association of Entrepreneurs in Bukhara with AmCham in Uzbekistan are very well established the partnership with the Samarkand Manufacturer's Union was just concluded.

AmCham office has initiated this contact after one of the most active member of the Samarkand Manufacturer's Union "El Holding" corporation was awarded with the special prize for the achievements and promotion of good governance at the "Tashabbus-2007" entrepreneurial competition.

On 14 September, AmCham in Uzbekistan president Donald Nicholson II, AmCham Executive Director Dr Tatiana Okunskaya, and Chairperson of AmCham Tax and Accounting Committee Vera Makarova were hosting at the Semurg Hotel in Bukhara representatives of the Association of Entrepreneurs of Bukhara and for the tour operators and small hotels owners in Bukhara.

The target of the seminar was to provide as much as possible of practical advices in the area of business's efficiency, accountability and transparency. Seminar participants were able to get practical advises in bookkeeping, accountability to the company's founders and transparency with all stake holders, records and reports preparation.

Mr. Nicholson explained how to make good governance practice to be built on ethical principals in accordance with the Manager's activities of the enterprises that must be fair, transparent and accountable; and why the managers must be responsible to their actions as well as to all stakeholders and the society; while employees must observe their responsibilities and perform their positive initiative.

The AmCham representatives presented the Chairperson of the Association Orif Djuraev with the Certificate of appreciation for the outstanding efforts in promotion of good governance and all members with the Manual on Business Ethics sponsored and published by the US Department of Commerce.

The seminar was attended and supported by the representative of Uzbek Chamber of Commerce in Bukhara province, Nodir Boltaev.

On 15 September, the representatives of AmCham in Uzbekistan were joined by the AmCham Vice President Oybek Khalilov and the first good governance seminar in Samarkand organized by AmCham in Uzbekistan took place at the Head quarters of the Samarkand Manufacturer's Union.

The presentations of the AmCham lecturers have turned into a very interactive discussion on the application of Good Governance principals to the practical work and everyday experience.

Large scale companies and enterprises have already established rather complicated structures in order to comply with financial transparency and competent keeping of the financial statements. They have to pass through audit controls that are one of the major flag points of effective and efficient management according to the international standards. Business people from Samarkand and AmCham representatives actively discussed how this can help to improve business climate in Uzbekistan.

Another issue of high interest for the discussion were: "How to restrict the managers' behavior aliened to extraction of self-profit and to induce managers to conduct business more effectively?"; "How to secure ourselves against unqualified managers and prevent corruption?"; "How to attract more direct external investments that will allow to increase the technical level of the enterprises, to renovate the industrial funds (more than half of which nowadays became morally and physically out of the date) and to introduce advanced technology".

The participants unanimously decided that the tackling of these will also increase competitiveness of the domestic economy, which is extremely relevant issue because of Uzbekistan's participation in the regional and international integration processes. And no less important is the process of internal investments attraction particularly by the equity market.

Director of "Shokhrukh-djon" Company | Bazarov Naufon Kakhramonovich, AmCham Vice president Oybek Khalilov, Chairman of the Board of "ALJ" concern Djumaniyez Alibekov, and AmCham President Donald Nicholson

All over the world investors consider investment's plans in accordance with the good governance conditions.

The AmCham in Uzbekistan president Donald Nicholson II has awarded the Chairman of the Samarkand Manufacture's Union Nozir Ibragimov with the Certificate of Appreciation and all members of the Union with the Manuals on Business Ethics published by the US Department of Commerce in English and Russian languages.

Prepared by: Dr. Tatiana Okunskaya, Executive Director Amcham Uzbekistan

On October 26 Chairmen of two AmCham member companies Dr K.M. Chaudhary from Classic International (long standing member and the founder of the newsletter committee 1997-2002) and Mr. Armend Lila from Van Luin Foods have sponsored AmCham Business Mixer in the Hotel Intercontinental. This Business Mixer has created truly welcoming and warm atmosphere for all guests. Both sponsors have greeted AmCham members and familiarized them with their respected companies' activities. The sponsors' efforts were welcomed with a lot of gratitude from AmCham members who were sincerely enjoying themselves in a warm and traditional AmCham events setting.

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CHANGES IN TAXATION

Below is the brief summary of the most important updates, which took place in the period 1 August 2007 31 October 2007

Incentives to commercial banks

On 12 July 2007 Presidential Decree No.ΠΠ-670 (Decree) was issued on “Measures for further increase of capitalisation of banks and their participation in investment projects”.

The Decree stipulates that commercial banks should aim at increasing capitalisation through increasing their equity, reinvesting profits (at least 30% of profits after tax), stock exchange trading; reducing non-bank cash turnover; expanding the network of mini-banks and the range of services they offer.

The Decree provides a number of tax benefits to commercial banks:

- Exemption from value added tax and income (profits) tax would be available in respect of assets transferred by the commercial banks to their subsidiaries;
- Exemption from income tax withholding would be available in respect of interest and other payments made by the commercial banks under loans of foreign financial institutions attracted for financing the investment projects;
- Exemption from the customs payments and property tax granted to the commercial banks by Resolution of the Cabinet of Ministers No.445 of 24 September 2004 (in respect of imported plastic cards, electronic personalisation devices, terminals, bank machines, etc) would be prolonged till 1 January 2010.

Loans to “young” families

Resolution of the Cabinet of Ministers has approved a regulation for commercial banks to issue loans to young families with a lay-off period (delay of repayment of the loan principle). “Young” families are defined as spouses in the age under 30 who are in their first marriage.

Loans can be issued for entrepreneurial, housing and consumer purposes.

Housing loans can be issued for (i) construction / re-construction of individual houses, and (ii) purchase of the individual house or apartment. Housing loans should be issued for a period not less than 15 years and the maximum amounts are set as follows:

- for construction or purchase of the individual house 3,000 times the minimum monthly wage (approximately USD36,000);
- for re-construction of the individual house and purchase of the apartment 2500 times the minimum monthly wage (approximately USD30,000).

The initial contribution of at least 25% of the value of the house/apartment can be made by employers of the spouse(s) of the young family. The lay-off period for housing loans is set as 3 years and 6 months for consumer loans.

Minimum monthly wage

As of 1 August 2007 the minimum monthly wage is increased from UZS 12,420 to UZS 15,525. It is also to increase to UZS 18,630 from 16 November 2007 according to the Presidential Decree of 23 October 2007. Based on the above the overall increase of the minimum monthly wage will be 50% since the beginning of the year.

1. What does adoption of the Law of the Republic of Uzbekistan "On Courts of Arbitration" mean for the Chamber of Commerce and Industry and for you personally? Could you brief us on the goals and objectives of the Law, its importance for the civil society and for the further expansion of multifarious activities of the Chamber of Commerce and Industry of Uzbekistan?

The Law "On Chamber of Commerce and Industry of the Republic of Uzbekistan" (adopted in 2004) assigns the CCI RUz to establish courts of arbitration aimed at resolution of economic disputes. Along with the Law, in the Republic of Uzbekistan there were a number of legislative acts urged to provide, guarantee and protect the rights of entrepreneurs and foreign investors, including a possibility to settle disputes at the courts of arbitration. However, all such acts envisaged only partial opportunities to submit the disputes to courts of arbitration for settlement. On the other hand, the legislation in force did not envisage an efficient, reliable and clear mechanism both for resolution of the disputes by the courts of arbitration and execution of the related court decisions; such practice prevented the courts from conducting full-fledged activities targeted at settlement of disputes.

In order to resolve such problems and implement provisions of the Law of the Republic of Uzbekistan "On Chamber of Commerce and Industry of the Republic of Uzbekistan", and in compliance with Presidential Decree "On Measures for Further Improvement of Legal Support System for Entrepreneurship Entities (#UP-3619, 14.06.2005), the Chamber of Commerce and Industry of the Republic of Uzbekistan, in cooperation with a number of stakeholders (ministries and agencies), has developed the draft Law of the Republic of Uzbekistan " On Courts of Arbitration"; the Law was adopted on October 16, 2006 and came into effect on January 1, 2007.

The major target of the Law is to regulate relations in the sphere of establishment of courts of arbitration, their competence and arbitration procedure, composition of the courts of arbitration, costs related to resolution of disputes at the courts of arbitration; the Law describes general rules applicable to arbitration and its decisions. Procedure of compulsory execution of the court of arbitration decisions is one of the most important targets of the law.

After adoption of the Law, the related amendments were made to the Civil and Civil Procedure Codes, as well as to the Economic Procedure Code, the Law "On Contract and Legal Basis of Activity of Economic Entities", Law "On Implementation of Judicial Acts, Acts of Other Authorities", Law "On State Due". In the other words, now the required legislative basis is completed to ensure efficient activities of the courts of arbitration in Uzbekistan.

As a result, the courts of arbitration are already established and work within the Chamber of Commerce and Industry and within its territorial departments. Popularity of the courts of arbitration, as an efficient mechanism of settlement of disputes, grows day by day and creates a favourable environment for the further development of business activities; such mechanism is a significant step to increase the investment attractiveness of Uzbekistan and to form an efficient dispute settlement system in Uzbekistan complying with the international standards.

Besides this, efficient activities of the courts of arbitration have become an important step to the practical implementation of such priorities of the national policy as the further intensification of the market reforms, judicial and legal reforms, and of the principle "from the strong State to the strong society".

2. Before now, either economic or civil courts have been involved in protection of the legal rights and interests of entrepreneurship entities (there are more than four hundred thousand of such entities in the Republic). After adoption of the new law, courts of arbitration will also be engaged in settlement of disputes that may arise between the entrepreneurship entities. Are there any advantages if the cases are judged at the arbitration courts? If yes, what are they?

International practice proves that most of entrepreneurship entities submit the disputes arising between them for the court of arbitration proceedings. Today, more and more of businessmen in Uzbekistan provide their contracts with the clauses on settlement of disputes at the courts of arbitration, in the case such disputes may arise between them; they conclude additional agreements with their partners to submit the current disputes under the contracts for consideration by the courts of arbitration. The reasons are evident.

First, consideration of disputes at the courts of arbitration is conducted much faster, and this factor is very important for the present-day business. Arbitration envisages only one instance, whereas the state courts may involve several instances for such proceedings (appeal, cassation, supervision, submission for a new trial). On the other hand, settlement of a dispute of any complexity at the court of arbitration, due to its simplified but reliable procedure, takes 20-80 days from the moment when a plaintiff submits his claim to the court of arbitration to the date of the court decision.

Second, compared to the state judicial system, arbitration is more efficient from the economic point of view since it is not necessary to pay the state due at several instances, and because of reduction of costs related to the lawyer's or legal adviser's services.

Third, the courts of arbitration decisions are final and become effective immediately after the hearing; they cannot be appealed against at the state court.

And, what is very important, in the case of non-fulfillment of the decision in a voluntary manner, the law ensures its compulsory execution by the procedure stipulated for execution of the state court decisions.

Courts of arbitration look attractive because the parties of any dispute may individually elect arbiters for settlement of a dispute arisen between them; such arbiters may be selected from the list of arbiters whom the parties trust in terms of their professionalism, qualification and experience. Besides this, the parties of any dispute may, on their own discretion, agree on the venue and time of arbitration hearings, on the language of arbitration, number of arbiters, terms of the dispute settlement, and on the other rules to be administered by the courts of arbitration in the course of the dispute settlements.

The parties of arbitration enjoy a real opportunity to reach an amicable agreement and preserve business partnership since the courts of arbitration do their utmost for conciliation of parties.

Sessions of the courts of arbitration are conducted in camera, and this fact does not allow publicizing any information on availability of a dispute between the parties and disclosing any of its details; it also guarantees confidentiality of any commercial secrets.

3. Only one year has passed from the date of adoption of the Law "On Courts of Arbitration". But the Uzbekistan Chamber of Commerce and Industry did a lot. Tell us, please, what you have done and

what you are going to do in order to fully implement provisions and requirements of the Law "On Courts of Arbitration".

The Uzbekistan Chamber of Commerce and Industry is proud to state that, after adoption of the Law "On Courts of Arbitration", it has become one of the first organizations to establish courts of arbitration. The Court of Arbitration within the Chamber of Commerce and Industry of the Republic of Uzbekistan was established on January 12, 2007; at the moment, the Court is one of the most trustworthy courts of arbitration in Uzbekistan. The CCI RUz has concluded settlement agreements with a number of commercial banks, credit unions and sectoral associations. These agreements envisage submission of disputes, which may arise between them, for consideration at the Court of Arbitration of the CCI RUz.

Besides this, courts of arbitration have been successfully established in the territorial departments of the CCI RUz, i.e. in the Tashkent, Andijan, Ferghana, Namangan, Khorezm, Syrdarya and Bukhara oblasts. The Chamber is very active to establish and arrange efficient activities of the courts of arbitration in all the regions of the Republic.

In order to enhance the businessmen's awareness of arbitration itself, to let them know how to submit disputes for settlement at the courts of arbitration and how the dispute resolution procedures are arranged, the CCI RUz, within the framework of its joint project with the OSCE Project Coordinator in Uzbekistan, has arranged and conducted a series of workshops in all the regions of the Republic; entrepreneurs always receive explanations on the issues, and the court of arbitration-related documents, information materials and recommended forms of the arbitration clause and agreements are placed in the Chamber website (www.chamber.uz) and in the "Norma" information edition.

However, despite the measures taken entrepreneurs are not well aware of arbitration, its advantages and opportunities to settle the disputes at the courts of arbitration, and due to newness of the arbitration institute in Uzbekistan, there is a certain distrust of businessmen to such kind of settlement.

In order to solve this problem, within the framework of the joint project with the OSCE Project Coordinator in Uzbekistan, it is planned to repeat a series of workshops on arbitration in all the regions of the Republic and conduct conferences and trainings in the city of Tashkent. It is also planned to make audio and video reels dealing with arbitration, which will be later broadcasted on radio and TV.

Lack of skilled and knowledgeable experts in the area of arbitration (lawyers, economists and representatives of the other professions who may be engaged as potential arbiters) is also a critical issue. In association with this, development and inclusion of a training course on "Arbitral Jurisdiction" into curricula of the higher and secondary educational establishments may be the most optimal solution of the problem. Such training courses are available in many foreign countries, and the CCI RUz will keep on working on development and implementation of this experience in Uzbekistan.

We are confident that the Chamber of Commerce and Industry of Uzbekistan takes its best efforts to efficiently implement provisions of the Law "On Courts of Arbitration" and develop and popularize the arbitration system in Uzbekistan. We recommend all the organizations, including the American Chamber of Commerce membership, to submit their disputes for professional arbitration settlement at the arbitration courts that have been established within the Chamber of Commerce and Industry of the Republic of Uzbekistan.

4. The Law "On Courts of Arbitration" excludes international commercial arbitration from its regulatory competence since this notion has its peculiarities and specific features which require a specific legal regulation. Explain to us, please, what these peculiarities and specific features are. What do the Uzbekistan lawmakers do to establish an institute of commercial arbitration, in particular, to establish the international commercial arbitration within the Chamber of Commerce and Industry of Uzbekistan?

International commercial arbitration and courts of arbitration are established for settlement of disputes arising from the civil jurisdiction and, in their essence, they are of a similar nature. In many countries, legislation combines them into one definition "arbitration". Institute of arbitration (courts of arbitration), in its turn, is divided into international and "national" (internal) arbitration. If any disputes involve any foreign element (parties of the contract belong to different States, contract implementation takes place in different countries, etc.) then the arbitration proceedings of such a dispute are called the international arbitration, if any dispute does not contain such an element this arbitration is considered and internal. Many countries adopt one general law to regulate both types of relations.

The CIS countries have taken another way: as a rule, they adopt two separate laws, i.e. one for courts of arbitration and one for the international commercial arbitration. It is conditioned by the fact that settlement of disputes inside the Republic, its compliance with the legislation of Uzbekistan, allows to more specifically regulate the issues relating to the dispute resolution and arbitration activity, and to account the national peculiarities up to the maximum.

As for the international arbitration, in the case of different legislations, legal, social and economic systems of different countries, it is very difficult to settle disputes by arbitration; in the future, such resolution may evoke collisions and conflicts of legislations to which the contract itself and parties of the dispute belong. Problems with differences in the international arbitration legislations occur when, in the course of arbitration, one of the parties or both of them face unfamiliar foreign provisions and procedures. Under such conditions, application of local traditional concepts how to resolve the disputes does not look reasonable; in this case, it is important to provide consistency of legislations applicable to the international commercial arbitration in different countries.

The Model Law "On International Commercial Arbitration" (1985) is used for this purpose; it was published by the UN Commission on International Trade Law (UNCITRAL) and stipulated the international standards for arbitration proceedings acceptable for the parties from the countries with different legal systems. The Model Law is recommended for adoption by all the States.

It should be mentioned that the Law of the Republic of Uzbekistan "On Courts of Arbitration" does not restrict opportunities of foreign citizens and organizations to act as a party of the arbitration proceedings. The Chamber of Commerce and Industry has already gained its experience how to settle disputable and problematic issues by the reconciliation procedures, if economic courts and even international courts of arbitration fail to resolve them at their levels. However, in order to make Uzbekistan more attractive for the parties when they select the venue for arbitration, it is required to provide complete compliance of the national law on the international arbitration with the Model Law that has been developed by UNCITRAL; adoption of the Model Law will allow to stimulate the Chamber activities targeted at settlement of international commercial disputes.

With this view, the Chamber of Commerce of Industry of the Republic of Uzbekistan, in cooperation with the Ministry of Justice, Ministry for Foreign Economic Relations, Investment and Trade, Ministry of Economics, State Property Committee, Supreme Economic Court and Supreme Court of the Republic of Uzbekistan has developed a draft of the Law of the Republic of Uzbekistan "On International Commercial Arbitration"; the Law, based on the Model Law, is submitted for consideration at the Cabinet of Ministers of the Republic of Uzbekistan, and later on it will be passed to the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan.

We hope that the Law will be adopted in the nearest future.

Avialeasing was the first private airline incorporated in Uzbekistan in 1992 as part of USbased SRX Group of companies.

Having launched its business as a small aviation company engaged in airport-to-airport air freight lift, Avialeasing has developed for 15 years into a company performing a wide range of transport services, including local freight consolidation, distribution, document processing,, brokerage service, insurance, warehousing and warehouse renting, i.e. door-to-door cargo delivery.

Avialeasing has its own certified technical facilities licensed for all types of maintenances for aircrafts such as IL-76, AN-12 and AN-26 and availability of competent flight crew for these aircrafts.

Avialeasing is specialized in ground handling coordination of any types of aircrafts, with provision of extra services such as hotel reservation, in-flight catering upon crew requests, visa support and tourist trips for the resting crew. We created a network of our agents and representatives in major airports across Central Asia and Caucasus which are capable to meet any client's demands day-and-night.

Air Transport Agreement with Open Skies for Air Cargo made by and between the USA and Uzbekistan enabled Avialeasing to expand its operations and try its hand in the US market under conditions of severe competition and high level standards for aviation activities. Avialeasing launched its business in North America in October 2000, operating with a single AN-26 and making scheduled charter flights Miami-Bahamas. Effective marketing and consistent pricing policy enabled the Company to extend its fleet to 4 aircrafts and build up its own technical facilities in Miami, Florida, which had been certified by Uzbek Civil Aviation Authority,. We are on our way to open our own technical centers for so called "eastern aircraft types" maintenance in Latin America.

Today, Avialeasing's aircrafts make charter flights to and from Canada under Canadian Foreign Carrier Certificate, the Central and South Americas and Caribbean countries.

Avialeasing employs personnel about 120 both in aviation business and transport logistics.

As a part of our future progress and our confidence in continuing growth, we offer high service grade standards, flight safety, high level professionalism, many-year's experience in differentiated business and legal environments, effective marketing policy and focus on new projects and activities development.

Web: <http://www.srx.aero>

Dear AmCham mem- bers, all the extended AmCham community and friends!

It is coming like a very strange phenomenon to me. Am I saying Good-Bye to AmCham community and friends? Is it really happening to me?

Seven and a half years of my life went entirely under the motto "American Chamber of Commerce in Uzbekistan". All our Monthly Meetings, Happy Hours converted into Business Mixers, all committee meetings and seminars it was my way of life, my extended family.

I want to express how much I have enjoyed working with each of you and thank you for the support you have provided to me and the organization. AmCham represents a big share of the foreign business community in Uzbekistan. Our membership consists not only of the US and other foreign companies operating in different economic sectors in Uzbekistan, embrace local companies and welcome every expression of support to promote the improvement of favorable investment climate in Uzbekistan based on transparent business legislation and the rule of law.

The AmCham Board of Directors is undertaking a lot of efforts in setting up a dialog with the different governmental bodies to discuss situations businesses are facing in their operations in Uzbekistan. This would not have been possible without an active and committed Board of Directors. I am thanking each Board member I have worked with for these seven and a half years for all their support. All these efforts are represented in AmCham's White Papers, sometimes very hot debates at AmCham Monthly Meetings, and in recommendations of AmCham seminars.

With deep gratitude and sadness at the same time I will remember our fruitful cooperation with the U.S. embassy in Uzbekistan, all continuous and kind support of its high quality professional staff members. Participation in the Board of Directors meetings, assistance in Monthly Meetings, socializing at the Business Mixers, everything has helped us to keep the flag of American Chamber of Commerce very high.

Very special part of my work was devoted to Good Governance program. I am very grateful to all my partners at the U.S. Department of Commerce, who initially have helped me to undertake training at George Washington University and later extended small grants to American Chamber of Commerce in Uzbekistan to run such a program. AmCham office has launched a series of seminars on corporate governance, which is important for any types of organizations, whether it is a business or a governmental organization. I would like to take this opportunity to thank all our partners with whom we so successfully fulfilled two programs of Good Governance training and promotion.

For the last two years I have worked very closely with the regional representative of the U.S. Chamber of Commerce on establishment and strengthening of a special program called Eurasia Business Platform that promotes regional cooperation in the Central Asian region. I sincerely hope that my successor will continue to work in this direction aimed at the development of regional cooperation. Such issues as water management, transportation, telecommunication, investment and trade require the collaboration of each country of the region, each AmCham of the region. This is particularly important as we have helped the establishment of AmCham in Kyrgyzstan and doing our best in assisting the formation of AmCham in Tajikistan.

Everything said above is the basis of my belief that the American Chamber of Commerce in Uzbekistan currently has all opportunities to encourage an improved foreign investment climate in Uzbekistan, to keep a strong membership and to carry on its task mission.

My leave at the end of the year is caused by family reasons. I am looking forward to be closer to my family, to celebrate the wonderful Holiday season.

Please take the package I am keeping in my hands on the photo as a symbol of all my wishes of prosperity to you and your businesses, of seasonal greetings, of all wonders that may happened to you and your families.

Very Best Wishes,

Tatiana Okunskaya

A tale of Arabian Nights in Modern Times.

Contributed by Nargiza Ogulchansky (SEAF), with the help of Donald Nicholson.

...I was sitting in the office without even thinking about the possibility to travel anywhere, when my boss (oh, I am very lucky to have such a boss) offered me the chance to join he and his wife on their trip to Dubai. It was so sudden, that I first thought it was impossible to do, mainly because my exit visa had expired and I knew that a new one takes considerable time.

Getting an exit visa is one of the most important things for an Uzbek citizen to get if one wants to travel. The procedure is quite bureaucratic, requires filling out forms, submitting documents and takes about three weeks (if not longer). Very inconvenient, and I think, our Ministry for Internal Affairs should change this regulation and make it easier for people to travel.

Anyway, and in spite of the difficulties and shortness of time, the lure of seeing the Palm Jumeirah, now considered the Eighth Wonder of the World, I knew I had to try. It was very difficult but I succeeded in getting my exit visa within a week. Getting a plane ticket proved to be another challenge as Uzbekistan Havo Yullari is the only carrier, flying to Sharjah three times a week, but the planes are usually booked weeks in advance. However, my persistence paid off and two days later than my friends, I was able to join them.

The first thing that strikes you about Dubai is how modern it is. Sharjah is much more modest than Dubai, while Dubai is richer and more developed, and I could say, very unique. Most of the buildings are new, very modern, designed by world famous architects. There in the skyline I saw Burj Dubai the world's tallest building.

Along the coast they have built man-made islands shaped like a palm tree and another that portrays the world. Rising above these are new houses, apartment buildings and other facilities that will grace and change Dubai's imprint for centuries to come.

It's not just the buildings and wide streets that amaze you, but the people, too. The population is so diverse with many foreigners coming to work and visit. Everyone speaks English along with Arabic, even though it's not their native language. If it were not for the desert, Dubai looks and feels more like a big American or European city, rather than Arabian. Business opportunities are everywhere ranging from small trading companies to mega deals.

The Ski Resort in the Emirates Mall is amazing while 35 degrees outside (or much more in the summer) - it snows inside like in the deep woods somewhere in Russia. I felt like I was living a fairy tale from the Arabian Nights but in a modern setting. Great tourist attraction in itself.

And yes, they have a HASH in Dubai, too. A very good friend John, who kindly hosted us there, invited us to the HASH, where we had great fun deep in the desert, with jokes around the fire, lots of beer and barbeque. It was nice to find out that some local Arabs participate in the HASH, enjoying the same fun as the expats.

Dubai is rich in culture with great mutual respect for each other. There is no pushing, shoving or shouting on the streets or in the malls, shopkeepers are more than happy to serve you. Whenever I met someone's eyes, a friendly smile appeared on the face of the beholder.

I could not keep myself out of comparing Dubai with Uzbekistan, and the difference was in everything! Starting from the airport in Sharjah, where nice-looking Arab women in black and men in white long dresses smile to you and wish you good luck, everything there was so easy and pleasant, that I could hardly believe I was living a real life. When you get inside a store you feel like they waited for you a whole life, and are very glad you came. In Uzbekistan it is far from something like that. Having a pleasure of shopping almost every day, I did not have a chance to go into any of the hotels, but everyone who stayed in a hotel, give very high marks to the quality of services. I think Dubai is one of the best places where Uzbek hotel or store managers could get very good training on how to improve their services.

I felt sad when it was time to leave and the fairy tale had ended with us getting into the plane back to Uzbekistan. The plane was full, and the passengers were not very nice to each other while arranging their hand luggage in places. One man was unhappy with his food, and wanted it to be changed, and they had a quarrel with one of the stewardesses because of that. During the whole flight we had a pleasure of watching a movie of a very tragic story of a poor man in Siberia.

And the Uzbek reality had begun. We were called to the CIP bus, where a group of bad mannered Uzbek men spoke very loudly as in a bazaar, and then when we came to CIP lounge in the airport; it was strange they managed to get their luggage faster than anyone else. They were given a priority only because they had "friends" or "big brothers" among the airport/customs employees. There wasn't any "Green Line" where passengers with nothing to declare could pass.

But anyway, I am happy we could use (even being less prioritized) the CIP rather than standing hours in the huge, mad and shouting line in the other non-CIP hall of the airport, where the passport control officers do their job while ignoring the plight of the people. Same with the baggage delivery service where one waits for up to an hour.

However, I dare to dream of someday going back to the fairy tale that is modern day Dubai.

(If you need any additional information on this topic, please, do not hesitate to contact me on my e-mail: seaf.uz@gmail.com).

Always yours,

Nargiza.

On the 18th of July, AmCham Uzbekistan participated with the United States Chamber of Commerce U.S. - Central Asia Trade and Investment Framework Agreement held in Washington DC. The event focused on transportation and energy infrastructure within Central Asia. High officials in the area of trade and investment gave presentations from all five of the Central Asian states. Minister of Foreign Economic Relations, E. Ganiev and the Uzbekistan Ambassador to the United States, A. Komilov, headed the Uzbekistan government representations for the meetings. The audience was well attended by many representatives from major companies either operating or of interest to operate within Central Asia, personnel of the U.S. State Department and U.S. Commerce Department, and other organizations such as Institute for Defense Analyses, a Washington DC "think tank", and executive directors of chambers operating or of interest within the Central Asian republics.

After opening addresses by Gary Litman of the U.S. Chamber of Commerce, and opening remarks by David Bohigian, Assistant Secretary for Market Access and Compliance, U.S. Department of Commerce and Evan Feigenbaum, Deputy Assistant Secretary of State for South and Central Asian Affairs, each official from the Central Asian States had the opportunity to present his countries platform for investment opportunity. The opening remarks of both David Bohigian and Evan Feigenbaum focused on the fact we live in a dynamic world economy, with a dramatic shift in the world balance of power with Asian economies ever strengthening, and Central Asian countries located as a strategic part of these economic changes. The concept of the Trade and Investment Framework Agreement initiative is to create partnerships but not to destroy existing traditional trade relationships. In relation to the partnership, is to promote regional cooperation. It is important to create the infrastructure to develop stronger ties within the region to enhance the ability of the region to join in to the global changes.

Minister Ganiev presentation was centered primarily on the stable, controlled economic growth within Uzbekistan and cited government statistics to show the economic growth within Uzbekistan is strong. Minister Ganiev represented Uzbekistan well and in combination with Ambassador Kamilov, presented a friendly atmosphere for Uzbekistan. Minister Ganiev was very sociable to both Bob Pace of the American Uzbekistan Chamber of Commerce and myself and seemed very pleased that we were in attendance and gave support for Uzbekistan.

During the second half of the meeting, four companies currently doing business within Central Asia spoke of their experiences and objectives for the region. The two most relevant experiences were on behalf of General Electric in their refurbishment of rail road locomotives within Kazakhstan and FedEx experiences in making Almaty, Kazakhstan as their Central Asian hub.

Both companies were very excited about their business and the cooperation that they receive from the Kazakhstan government. FedEx explained that their decision to rely on Kazakhstan to place their regional hub was based on the reliability and the stability of the Kazakhstan government. Of the two additional speakers, one represented a company that sells and installs aviation guidance systems. His experience had been of less than perfect in that after experiencing multiple customs issues in importing the equipment, they had not yet been paid for the equipment even though the equipment is installed and operating. Because of the sensitivity of the issue, he did not state the country responsible. The fourth company was Louis Berger Inc. that had installed hard surface roads in Afghanistan. Their

experience was very positive however, this type of business in Afghanistan where money is provided by governments, is difficult to relate the same as continuing business within the true Central Asian republics.

In the afternoon, meetings held at the U.S. State Department, Richard Boucher outlined foreign investment potentials and urged that if we create the right investment environment and create the right market conditions, then the money and the people will come. He said that this "increases the sovereignty and the independence of your countries as well as the prospects for development".

Prepared by Robert Horton, UzTexaco, Amcham Director

Dear AmCham members, Mister Chairman, Madame the Executive Director, Ladies and Gentlemen, dear friends

I would like to thank you for welcoming me at this honorable assembly.

I'd like first of all to say that if I didn't visit that much the AmCham so far, it is neither because the French Embassy wants to go it alone nor because in AmCham there is "American". I do not have this kind of problem: even if sometimes there are differences between Washington D.C. and Paris, between our governments, we are more than friends and allies, we are cousins, and we are in the same family. It is very true to say that what is gathering us is stronger than what is dividing us. This is the America that gave us the first "Bill of Rights".

- First, I will speak about the bilateral economic and commercial relations between France and Uzbekistan. Then, I will give you my insight on the future economic developments of Uzbekistan and its integration to the world economy. Finally, I will say few words about what can be expected with our new French President and new government.

1. Our actual bilateral economic and commercial relations are well under the level of their potential. First, a few words about the institutional and juridical framework for our bilateral relations. The juridical base of our cooperation is a "Treaty of Friendship and Cooperation" signed in 1993 under our French President, Francois MITTERAND, and came into force in 1996. This treaty defines very general orientations for the conduct of our bilateral relations and cooperation. We have an "intergovernmental working group dealing with economic and commercial questions. That means that this working group does not gather necessarily Ministers, but rather high ranking officials from the French Ministry of Economy and Finance and from the Uzbek Ministry of Foreign Economic Relations as well as other Uzbek administrations.

Since its creation, this working group has met only three times. The last meeting took place this year in Paris on March the 19th. The Uzbek delegation was led by Mister Elyior Ganiev and composed of twelve Deputy Ministers, Chairmen and Deputy Chairmen of State Committees.

Two sides discussed topics dealing with the responsibility of the two governments. For instance:

-Institutional cooperation between Ministries of Finance: our French Ministry of Finance is currently helping the Uzbek Ministry of Finance to improve the Uzbek financial system and to settle a Treasury Department.

- Another example is the Cooperation between our custom departments. We can also discuss during these meetings disputes if any, obstacles and brakes to the development of our trade exchanges, to the investments and the means to overcome these issues. Moreover, each delegation can introduce to the other his policy and priorities. We can advise the Uzbek side in which areas the French companies can offer their expertise, technologies, and different types of products and so on. We expect the Uzbek side to tell us in which areas they want French companies to work here in Uzbekistan.

Usually the intergovernmental meeting is followed the day after by a "Business Forum", where the delegations can meet businessmen. Such a forum can be the starting point for new contracts or new cooperation.

Along with the Treaty for Friendship and Cooperation, we have two other basic Agreements with Uzbekistan, as it is usually the case with other States:

- An Agreement for Encouraging and Guaranteeing Investment, which came into force in 1996;
- An Agreement to avoid double taxation, which came into force in 2003

I would like to add that since I've arrived three years ago, we had several important delegations of French companies. Until the end of 2006, we had at the French Embassy an Economic and Commercial Mission led by an Economic and Commercial Counselor. For the moment, we have instead a "Junior Commercial Attaché", Mister Gautier Mangelot, here present, and I ask you to consider him as the Chief of the Economic Mission for the French Embassy.

Just few words about our tools for the development of our trade exchanges:

First, as it is the case in most of the countries having export activities, we have a system of credit insurance called COFACE .Secondly, in the area of public aids for the development of emerging countries; we have special loans with low interest rates and for a long period of time. Those loans are dedicated to projects aimed at developing the country and social conditions: for example developing the production of fresh and clean water in the rural area.

Thirdly, France is taking part in several multilateral programs: in the European Union Aid programs (around 18%), in the OSCE programs and the UNDP programs. France is also participating in international banks (EBRD, World Bank, ADB ...).

Let's have a look now on the bilateral trade exchange between France and Uzbekistan

What are we exporting and what are we importing from Uzbekistan?

In 2006 we have mainly exported: Chemical products for industrial use; Informatic equipments; Measure and control instruments; and Pharmaceutical products.

The same year we have imported: Industrial products including products for the nuclear industries; Corns and industrial plants; Basic chemical non organic products.

There are currently around 40 French representative offices registered in Uzbekistan, and most of them are led by Uzbek employees.

Our share in the Uzbek market is around 1, 2% and we are ranking at the twelfth position for trade exchange partner.

According to our information we have two little French investments in Uzbekistan.

- The first one was made by the company DAGRIS, which is specialized in the cotton and oleaginous. This company is mainly working in Africa and South America. They settled in 2000, two joint ventures with

Uzbek associations of cotton farmers, one in Bukhara and the other in Namangan, with the purpose of improving cotton seeds. The total French investment in these two joint ventures is around 1, 17 Million US Dollars. One can say that technically they are doing well, but from the management point of view they have many problems. The joint ventures have to sell the seeds to the State but they are not paid or after several months. Waiting for these payments, they don't have the cash flow to pay the producers who don't have therefore money to buy either the seeds the equipments. It is a permanent vicious circle.

- The other investment is very recent and dating back to August 2006. It is the company JC DECAUX who has invested around 1 Million Euro to settle a Joint Venture with a subsidiary of the Tashkent city hall. They are furnishing urban furniture, bus shelter and billboards. So far as I know they are doing well.

You see that the French investments are low. At the end, we have a good institutional framework for cooperation but the results are a bit disappointing.

2. We are considering that Uzbekistan has very high potential.

With Kazakhstan, Uzbekistan is one of the two key players in Central Asia, with fewer natural resources in quantity than Kazakhstan but more diversified.

Furthermore, Uzbekistan is presenting good macro economic results; even if we are not all agreed on the figures and the way statistics are done by the State Committee of Statistics. If I take a look on the last IMF report:

- There is a good and regular GDP growth
- Uzbekistan has a positive balance of payments, even if resulting most of all from the custom barriers that over protect the domestic market.
- An external public debt quiet low and well managed, but inducing obstacles to the investments. The most important thing is that Uzbekistan has the reputation of a quite good payer.

We are considering all these points very positively; moreover we think that OECD should rank Uzbekistan in the sixth category and not the seventh with countries that are presenting very less favorable conditions.

We have very favorably welcomed last speeches by President Karimov, first held during the meeting of the two chambers of the Parliament Oliy Majlis in January 2005, and most recently the President declarations in February 2007 on the importance of measures to be implemented in order to improve the investment environment in Uzbekistan and the call of the President to open the economy, to create a legal and regulatory framework that will attract more foreign investments, to reduce interference of State into business affairs, to accelerate privatization, to encourage small and medium enterprises and to increase the efficiency of the banking sector. Personally, I am not a partisan of a quick move to the Liberal Economy; I am not a partisan of the so called "Shock Therapy". And I do understand that all the reforms cannot be done in one night. But I do believe that some reforms have to be done in order to improve the conditions of investments in Uzbekistan, to allow Uzbekistan to benefit from his rich potential and to participate more in the World Economy.

For example, it is crucial for investors to be sure that Uzbekistan recognizes international arbitration. It is one of the first questions of the foreign businessmen. The reform of the banking sector and improvement of financial services are another prerequisite for a good development of the economy, in particular the access of the small and medium enterprises and of the farmers to good conditions of credit facilities.

I have said that Uzbekistan is presenting a high potential and I do believe that all our compatriots are interested in Uzbekistan. You know that Europeans have just adopted a strategy for a partnership and strengthened cooperation with Central Asian countries. This strategy includes naturally Uzbekistan. I would like to say my deeply hope for the progressive elimination of barriers to the development of cooperation, that enterprises will be soon on the way back to Uzbekistan and that this country could take his place among new economies - the so called "emerging economies"- the new key actors of the world economy.

3. My last point will be dedicated to answer one question that you will ask to me: France has a new president, a new government, a new Parliament. What is going to change in France? Will French policy change?

I do believe that the important thing is that there is a correlation between the will of a majority of French and the will of the new President to modernize the way our society is working, the Institutions, the relations between enterprises and employees and the education. There is a really new will to change things, to modernize. The new President is very active in this way and takes in charge himself most of the problems, takes his responsibilities. He has called for a rupture with the past and has already taken many initiatives to return the French the will to win. He wants to overcome some obstacles and brakes to the development of French initiatives. The new government is the symbol of this policy, of this new adventure and this will to take back the initiative.

The new president is not an ideologist but just a pragmatic man who will look where the French and European interests are for the long term. We have to fully restore our links with the United States of America, because as I told you what is linking us is stronger than what is dividing us, we have to continue looking at Russia as a key international player and our great neighbor we have to continue working with all the Mediterranean countries who are also our neighbors we have certainly to face with the great challenges of the modern world : terrorism, drugs, organized crime, environment and climate changes, problems with the migration of populations, the under development, the prevention and resolution of international disputes. Naturally in this contest, Europe has to strengthen his relations with Central Asia.

In order to cope with these great challenges we need all the good wills. The unique ambition of France is to contribute to a more stable world, to a world faire and safe. Once again I believe that the French politic will be more active in this way.

Investment Priorities

Presidential Resolution "On Investment Program of the Republic of Uzbekistan in 2008" (December 9, 2007 # PP-704) approves the limits of the 2008 capital investment to be allocated from the public budget and non-budget funds. The Resolution also approves: target programs of the 2008 investment projects which will involve resources of the Fund of Reconstruction and Development of the Republic of Uzbekistan, and foreign credits under the guarantee of the Government of the Republic, as well as the targeted list of the 2008 investment projects aimed at modernization, technical and technological reequipment.

Privatization of Public Enterprises

Resolution "On Measures for Further Intensification of Privatization Processes and Active Attraction of Foreign Investment in 2007-2010" issued by Islam Karimov, President of the Republic of Uzbekistan, on July 20, 2007, stressed the necessity of sharp reduction of the State share in the enterprises of strategic sectors. The need to increase participation of private property in the economic development of the country was especially marked, as well as a wide attraction of direct foreign investment to such sectors. In compliance with the above, 1432 enterprises were planned for privatization before 2011, and only 45 of them would retain the public share.

According to the official information, about three hundred public enterprises were privatized in Uzbekistan in the first part of 2007 in compliance with the Resolution. More than five hundred agreements for the state property sales were concluded; the total amount of the agreements made up more than thirty eight million US Dollars.

In particular, the total amount of direct agreements with foreign investors made up more than 25,8 US Dollars. Commodity exchange operations involving foreign investments reached the amount of 4,4 million US Dollars. More than 250 enterprises and other facilities were established based on the denationalized enterprises. Majority of privatized companies belong to the oil and gas sector, social sphere of healthcare, agriculture and other branches of economy.

As a result of above steps aimed at denationalization of enterprises, the public budget acquired additional 3,2 bln soums (more than 2,5 US Dollars).

According to the State Property Committee (information as of October 2007), privatization of almost 700 public enterprises has begun. Among them one can find UzDAEWOOAuto JSC, SAMAUTO CJSC, Kungrad alkali-works. Stocks of such companies as Uzbektelekom, Asaka Bank, Tashkent Aircraft Factory, etc. have also been offered for sales, says Novosti Uzbekistana, an independent newspaper.

The first steps have been made to privatize such chemical enterprises as Ammofos, Samarkand Chemical Plant, Kokand Phosphorous Plant, as well as Foton, Algoritm and Oniks factories, and motor and unit plants.

Timely fulfillment of foreign investors' commitments becomes the most significant factor at this stage of privatization. Investors should modernize the enterprises in which they have invested, reequip them technically and technologically and begin to manufacture competitive and exportable products. If such commitments are not executed on time, the purchase agreements will be cancelled by the stipulated procedure.

According to the State property Committee, the current non-state sector embraces 80 per cent of the industrial sphere, 88,4 per cent of the construction industry, 96,6 per cent of the communications sector and almost 100 per cent of the trade facilities. Now the GDP share of the private sector makes up 75 per cent.

Presidential Resolution "On Measures for Further Enhancement of Capitalization of Their Participation in Investment Processes Aimed at Modernization of Economy", adopted on July 12, 2007, allowed raising level of efforts in the area.

The document specifies priority trends of intensification and liberalization of reforms in the banking and finance sphere. The document envisages issuance of additional stocks, their placement at the stock market, increased capitalization of the banks, establishment of new modern production facilities by means of commercial bank resources, and modernization of operating enterprises, their technical and technological reequipment, and, as a result, increased output of competitive and exportable products; all this should be done to attract available cash from people, entrepreneurship entities and investors.

The above stated will also facilitate to reduction of the extra-bank cash circulation, smooth and unconditional provision of clients with cash on their first demand, extension of the mini-bank network, increased number of bank services, improvement of the bank services quality.

Improving Investment Attractiveness

In accordance with the Presidential Decree "On Measures for Further Intensification of Privatization Processes and Active Attraction of Foreign Investment in 2007-2010" (July 20, 2007, #PP-672), the Cabinet of Ministers adopted Resolution #192 on September 12, 2007. This Resolution modifies and amends the Procedure for compulsory sales of hard currency revenues obtained by the economic entities and Provisions on the zero redemption value competition-based sales of low-profit, unprofitable and insolvent public enterprises to investors, provided the investors will undertake the related investment liabilities.

Insurance Rules Precised

Law #ZRU-108 (September 14, 2007) modifies and amends the Law "On Insurance Activities". The Law specifies a comprehensive list of the insurance market participants, i.e. insurers, insurance agents, adjusters, actuaries, insurance surveyors and assistants. Their rights have been extended considerably. Thus, insurers are entitled to duly request and receive the related information and documentation from the law-enforcement bodies, courts, medical and seismological organizations and other institutions; such information and documentation will be required to determine the amounts of insurance compensations, to check compliance of the insurers with the requirements and clauses of the insurance contracts, to provide surveying and adjusting services to the foreign insurers.

It has been stated that the initial authorized fund, in which insurance and re-insurance brokers have no right to participate, should be formed by the moment of the license issuance, and its amount should not be less than the minimum authorized fund stipulated by the law.

General clauses envisaged for the insurance activities, lists of offered hedgings and operations, rates, types and terms of insurance should not be confidential.

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

