

Embassy of India
Tashkent.

**ECONOMIC AND COMMERCIAL REPORT
FOR THE MONTH OF June, 2015.**

No.TAS/201/1/2012

July 27, 2015.

INTERNAL

UN Secretary General visits Uzbekistan – Continuing his visit to Central Asia, UN [Secretary-General](#) Ban Ki-moon hailed Uzbekistan for the progress it achieved towards the United Nations Millennium Development Goals, in reducing poverty and maternal mortality, ensuring universal access to primary education, while recalling that there can be no peace and development without human rights. He also welcomed Uzbekistan's active participation in multilateral discussions at the United Nations and its contributions to addressing regional and global issues of concern. Mentioning the discussions he had with President Islam Karimov, UNSG brought attention to the "tragedy" Uzbekistan is facing, along with other Central Asian countries, with the Aral Sea drying up. He also gave an assurance that the United Nations was thinking about ways to scale up the international community's support to address and mitigate the impact of that phenomenon. He also said that if the country has made important progress in eliminating child labour in the cotton sector, more must be done now to address "the mobilization of teachers, doctors and others in cotton harvesting, and prevent the maltreatment of prisoners." Welcoming the recent adoption by Uzbekistan of a National Action Plan on follow-up to the Universal Periodic Review by the United Nations Human Rights Council, UNSG underlined that "implementation...is key" as it would help Uzbekistan's compliance with its international human rights obligations, and bring wide-ranging benefits to its people.

Uzbekistan ranked fifth among fastest growing economies - The World Economic Forum on its website published an article entitled "13 fastest-growing economies in the world." The article was published in collaboration with the Business Insider UK. The article includes a list of 13 countries with the highest projected compounded annual growth rate (CAGR) from 2014 through 2017 based on the forecasts from the World Bank's Global Economic Prospects. Thus, in accordance with the article, the expected GDP of Uzbekistan in 2015 will constitute 7.6%, in 2016 – 7.8%, in 2017 – 8%. As a result, the cumulative annual growth rate (CAGR) of Uzbekistan's economy for 2014-2017 equals to 7.87%. According to the World Economic Forum, Uzbekistan occupies the fifth place in the list of countries with the fastest growing economies in the world. The first place is occupied by Ethiopia. According to the data, it is expected that in 2015 GDP of Ethiopia will amount to 9.5%, in 2016 - 10.5% and in 2017 - 8.5%.

Uzbekistan interested in expanding economic cooperation with China – As per media report, speaking at the Chinese-Uzbek business forum held at the Rizhao city, Shandong Province in China, Uzbekistan's first Deputy Prime Minister and Minister of Finance Rustam Azimov said that he saw the possibility of further expansion of economic cooperation in Chinese investment, the implementation of the initiative "The Silk Road Economic Belt" and the development of bilateral trade. According to him, the establishment of a production facility in Uzbekistan provides a presence not only in the markets of Central Asia with a population of 60 million people, but also in the CIS countries with a total population of 300 million people, with which Uzbekistan has bilateral agreements on free trade zone. He recalled that Uzbekistan was one of

the first who supported the Chinese initiative for the establishment of the Asian Infrastructure Investment Bank and hoped to proceed further with the selection, preparation and implementation of joint projects, designed to ensure the further expansion of transport and logistics, energy and communication infrastructure between China and Uzbekistan.

Uzbek lower house discusses budget execution - An extended meeting of the Committee of the Legislative Chamber of Oliy Majlis of Uzbekistan on budget and economic reforms reviewed results of execution of the State Budget in 2014 and the first quarter of 2015. It was noted that in 2014, the GDP grew by 8.1%, industrial production - by 8.3%, agricultural production by 6.9%, the volume of capital construction - by 10.9%, retail trade turnover - by 14.3% the volume of services - by 11.4%. Last year's export activities involved more than 500 new businesses, especially small businesses. The foreign trade balance amounted to \$ 180 million surplus. The share of small business and private entrepreneurship in the formation of GDP increased in the period since 2000, from 31 percent to 56.1 percent, and industrial production - from 12.9 to 31.1 percent. In the first quarter of 2015, the volume of GDP grew by 7.5%, industrial production by 7.9%, agricultural production - by 6.3%, the volume of construction works - 18.9%. In the first quarter of this year, the state budget revenues amounted to 7 trillion 638.7 billion soums, expenditure part 7 trillion 615.6 billion soums, budget was executed with a surplus of 0.1% of GDP.

Uzbekistan's GDP to grow by 7% in 2015 - The European Bank for Reconstruction and Development (EBRD) lowered its forecast on economic growth of Uzbekistan for 2015 by 0.8 percentage points, the report "Regional Economic Prospects in EBRD Countries of Operations" said. According to the report, Uzbekistan's GDP will grow by 7% in 2015. In January 2015, the experts of the EBRD had forecasted that economy of Uzbekistan will grow by 7.8% in 2015. According to forecast of the EBRD, economy of Uzbekistan will increase by 7.2% in 2016. The EBRD said that sharp drop in remittances from Russia and slowdown of economies of some of the main trading partners will result in decreasing economic growth of Uzbekistan. Inflation is expected to reach 9.8% in 2015, up from 8.4% in 2014, the EBRD underlined.

According to the World Bank's latest Global Economic Prospects report, the growth of economy of Uzbekistan will make up 7.6% in 2015. The World Bank improved its forecast on economic growth of Uzbekistan for 2015. In January 2015, the bank's experts forecasted that the gross domestic product (GDP) of Uzbekistan will grow by 7.4% in 2015. At the same time, the World Bank cut its forecast on the economic growth of Uzbekistan for 2016 and 2018. In January, the bank predicted that the GDP of Uzbekistan will grow by 8.2% in 2016, but now the forecast stands at 7.8%.

LUKOIL to increase gas mining in Uzbekistan - According to Head of the LUKOIL, the production of natural gas production is planned to be increased by four times to 16 billion cubic meters by 2018. LUKOIL is cooperating with Uzbekneftegaz in Uzbekistan. He noted that President of Uzbekistan Islam Karimov accorded permission to develop new project on development and construction of Kandym gas field which is one of the largest opened gas fields in Uzbekistan. He said that the Uzbek partners are exporting gas to China and all mined gas by LUKOIL is sold to Uzbekneftegaz.

Uzbekistan produces 539,310 tonnes of fertilizers in Jan-May - The industry's enterprises produced 539,310 tonnes of mineral fertilizers, including 427,760 tonnes of nitrogen fertilizers, 55,780 tonnes of phosphate fertilizers and 55,780 tonnes of potash fertilizers. The growth rate

was 3.9% compared to the same period of 2014. Production of consumer goods reached 80.9 billion soums in January-May 2015, which increased by 19.7% year-on-year.

Over 2014-2015 the cotton industry enterprises produced goods worth 4 trillion soums - In 2014-2015, Uzbekistan's cotton industry companies processed more than 3.4 million tons of raw cotton and received more than 1 million tons of cotton fiber, 80.0 thousand tons of lint, 1.6 million tons of cotton seeds.

Meeting with the World Bank Mission - The State Committee of Uzbekistan on Privatization, Demonopolization and Development of Competition held a meeting with the Head of Mission of the World Bank Group (WBG), the director of the Center for financial reporting reform Henri Forten and the Head of the International Finance Corporation (IFC) in Uzbekistan Zafar Hashimov. During the meeting A. Fortin presented the results of the meetings held by the Mission with various stakeholders in Uzbekistan in order to determine the scope of the technical assistance of the World Bank and completion of the Action Plan - Road Map for the further improving corporate management, deepening privatization process and development of competition. A. Fortin also said that the WB-IFC accelerated its work on the "Uzbekenergo" SJSC and "Uzkimyoanoat" SJSC, defined as "pilot" sectors of energy and chemical industries.

Investment projects for 4.1 billion dollars to be implemented in Navoi region - Around 50 investment projects worth \$ 4.1 billion dollars expected to be realized in the period from 2015 to 2019 in Navoi region. This statement was made by a Senator and Governor of Navoi region Erkinjon Turdimov. According to him, in the first 3 years it is planned to implement about 950 projects in the field of agriculture. In addition, the region will start production of phones, laptops, solar panels, tablets, TVs, yarn, shale and other goods. During the period from 2015 to 2019, it is planned to lay 1.1 thousand km of pipelines for drinking water, as well as to repair 510 km of inland roads and 290 km of public roads. In addition, two hospitals will be built, 11 health facilities and 17 medical centers in villages will be reconstructed in the area.

Sales of GM Uzbekistan in Russia fell by 59% - Sales of automobiles of GM Uzbekistan in Russia fell by 59% year-on-year in January-May 2015 according to the Automobile Manufacturers Committee of the Association of European Businesses. Share of GM Uzbekistan in Russian market was 1.3% in January-May 2015 against 2% in the same period of 2014.

Lower remittances from Russia - According to results of the first quarter of 2015, the volume of remittances from Russia to Uzbekistan, compared with the similar period of 2014, decreased nearly by 49 per cent, to 460m dollars.

Uzbekistan introduces additional duties for import from Ukraine - Uzbekistan will introduce additional duties for import of goods, produced in Ukraine, from 1 July 2015, quoting a resolution of the Cabinet of Ministers, the President of Association Ukrkondprom Aleksandr Baldynuk said. The resolution of the Government of Uzbekistan said that the additional duty will be calculated based on customs price of the goods. Aleksandr Baldynuk said that if Ukraine will abolish duties as promised, the Uzbek rules will be in force till the end of 2016. He said that other Central Asian nations, which are important market for Ukraine, are also following actions of Uzbekistan and that this precedent could be serious.

Uzbekenergo to announce tender for Takhiatash TPP modernization in 3Q - State joint stock company Uzbekenergo will announce a tender for modernization of Takhiatash thermal power plant (TPP) in the third quarter of 2015, the statement, published at the official website of the

company, said. The project involves construction of two combined-cycle gas turbine (CCGT) units, decommissioning old and inefficient power generation units, improving energy efficiency, and increasing power supply to the Karakalpakstan and Khorezm regions. To ensure reliable power supply, the Government of Uzbekistan and Uzbekenergo, identified the project as a priority, and decided to construct two CCGT units (230-280 MW each); decommission three existing power units (Nos. 1-3); and maintain two power units (No. 7-8) for backup. Currently the tender documents for selection of the EPC Contractor contract is developed and announcement of the bidding is expected in the III quarter of 2015. Procurement procedure under EPC Contractor contract for construction of two combined-cycle gas turbine (CCGT) units (230-280 MW each), dismantling of units 1-2, and decommissioning of units No 1-3 will be implemented in accordance with ADB's Procurement Guidelines. The project's cost is US\$678.2 million. The project will be funded through ADB's loan for US\$300 million and loan of the Fund for Reconstruction and Development of the Republic of Uzbekistan for US\$230.7 million to cover part of the power plant "turnkey" contract and related contingencies. The capacity of Takhiatash thermal power station is 730 megawatts. The Takhiatash TPP is the main source of power supply in the Karakalpakstan and Khorezm regions.

Trade turnover between Uzbekistan and Russia makes up US\$6.1bn in 2014 - Trade turnover between Uzbekistan and Russia was US\$6.1 billion in 2014 (according to Uzbek data), according to the Russian Ambassador to Uzbekistan. He said that the uneasy economic situation in Russia impacted bilateral trade towards the end of 2014 and the beginning of 2015. The envoy said that the bilateral trade turnover fell by 1.6% to US\$4 billion in line with the Russian statistics. He noted that Uzbekistan was the fourth on the volume of bilateral trade among the CIS states and Russia was the first among trade partners of Uzbekistan, accounting 21.8% of total foreign trade turnover of Uzbekistan.

INTERNATIONAL

Uzbekistan and South Korea signs nine documents - During the visit of Uzbek President Islam Karimov's visit to South Korea, nine agreements were signed. Uzbekistan and South Korea signed a programme of cooperation within KOICA for 2015-17. Under the programme, the two sides plan to implement 11 projects. Uzbekistan and GS Engineering & Construction Corporation signed a memorandum of mutual understanding to strengthen cooperation as part of a project to set up plants to make chemical products from natural gas. The project costs 4.5bn dollars and involves production of olefins from methanol. The sides also signed a memorandum of mutual understanding to cooperate within South Korea's Economic Development Cooperation Fund (EDCF). A contract was signed to implement an EDCF-funded project for the informatization of schools. A memorandum of mutual understanding was signed between Uzbekistan's National Bank for Foreign Economic Activities and Korea EximBank. The two sides also signed a memorandum of mutual understanding to cooperate in industry.

KOICA provides Uzbekistan Grants for \$ 58 Million - Uzbekistan and South Korea signed a programme with the Korean International Cooperation Agency for 2015-2017 during the visit of President Karimov to Seoul. The programme includes the implementation of 11 projects with grants totaling \$ 58 million. In particular, the grant will be spent on development of a feasibility study on modernization of the Tashkent airport with the construction of a new international terminal, the creation of centers for the training of highly qualified medical staff and maintenance of medical equipment for the construction of modern multidisciplinary clinics, the organization of vocational training in technical professions in Khorezm and Ferghana regions, the development of

the Tashkent University of Information Technologies with the construction and equipping of modern information and resource center, the introduction of e-learning systems and equipping of scientific and educational laboratories.

Latvian delegation visits Uzbekistan - A Latvian delegation led by Deputy Minister of Transport Uldis Reimanis arrived in Uzbekistan on 1 June 2015. The delegation included representatives of companies operating in logistic and transport sphere - Freeport of Riga, Freeport of Ventspils, Latvian Railways, Riga Airport, AirBaltic, etc. Latvia is the third largest trade partners of Uzbekistan in the European Union. Uzbekistan uses ports of Latvia to get access to external markets. The Latvian delegation participated in the business meeting with the entrepreneurs of Uzbekistan at the TechnoPlaza business center in Tashkent. Edgars Suna, representative of the Freeport Riga said that share of Uzbekistan in total volume of turnover of Riga port makes up about 5%. Uzbekistan uses the port to transport agriculture products and construction materials. The delegation also attended a conference "Transport corridor Uzbekistan – Latvia – EU states: new opportunities and perspectives" in Tashkent. Embassy of Latvia in Uzbekistan, Ministry of Transport of Latvia, Association of International Business and Technologies and Association of developing business logistics had organized the conference. The conference was aimed at establishing efficient transport communication between Uzbekistan and Latvia and Uzbekistan and EU states, determine perspective transport routes, exchange experience in logistic management, etc. The participants discussed perspectives of interaction between Latvia and Uzbekistan in transport policy, Great Silk Road project, transit of cargoes from Central Asia to the EU via Latvia.

World Bank mission holds talks at the State Competition Committee - Uzbek State Committee for Privatization, Demonopolization and Development of Competition hosted a meeting with the mission of the World Bank, which included director of the Centre for Financial Reporting Reform (CFRR) Henri Fortin and head of the IFC Office in Uzbekistan Zafar Hashimov. The roadmap for organization of the joint work on further improving corporate management, deepening privatization process and development of competition was developed in the result of roundtable on reforming system of state enterprises management and expansion of participation of private sector, which was held on 5 March 2015. Henri Fortin briefed the management of the committee on his meetings at Uzbekenero, Uzkimyosanoat, Center for management of state assets, Center for coordination and development of securities market, Agency for Development of Finance Sector, Higher School of Business to determine the volume of technical assistance of the World Bank and improve roadmap. The special attention was paid to transfer of joint stock companies to publication of annual financial reports and holding external audit in line with international standards. Fortin noted that the World Bank and IFC speed up their work on Uzbekenergo and Uzkimyosanoat, which were determined as pilot industries – energy and chemical sector, the press service of the State Competition Committee said. At the talks with Uzbekenergo, the sides determined level of technical assistance, developed mechanisms and tools, which will spread for use in other industries as well. Within the visit of the mission, the video conference with international organizations was also held to discuss their possible financial participation in the project of technical assistance.

Uzbekistan and Japan to cooperate in the field of training of technical specialists -

On June 23, the Ministry of Labor and Social Protection of the Republic of Uzbekistan hosted a meeting of the Minister A.Abduhakimov with the heads of Japanese Association «Chuo Sangyo Shinko» Mr. Masaki Uno and Mr. Kazumi Maeda, as well as president of the company "Towa Kawara Kenzai" Mr. Noboru Shimazaki. The meeting was attended by Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of Uzbekistan Mr. Fumihiko Kato. In the framework

of the meeting Uzbek and Japanese sides confirmed the readiness of the parties to the full implementation of previously signed Memorandum between the Ministry of Labour and Social Protection of the Republic of Uzbekistan and the Japanese Organization for International Cooperation in the field of education (JITCO) on cooperation in technical training programs of trainees from Uzbekistan to Japan and discussed the practical issues associated with sending and receiving of Uzbek engineering interns to specific Japanese companies.

Business Forum held in Uzbekistan : -

1. An Uzbek-France business forum was held in Tashkent on 11 June 2015. A delegation of the MEDEF International, Movement of French entrepreneurs visited Uzbekistan and included representatives of 20 French companies, working in aviation, banking, defense and security, environment, infrastructure, healthcare, telecommunication and transport. An MoU was signed during the Business Forum.
2. The third session of the intergovernmental commission on trade-economic cooperation between Uzbekistan and Tajikistan was held in Tashkent on 23 June during the visit of the Tajik First Vice Premier Davlatali Said to Uzbekistan. According to the press service of the Ministry of Foreign Economic Relations, Investment and Trade of Uzbekistan, the sides considered actual issues of bilateral cooperation, including current state and perspectives of trade-economic relations, expanding legal framework of cooperation, developing ties in transport-communication sphere and cooperation between customs bodies, etc. Tajikistan and Uzbekistan also signed a protocol to use of the agreement on free trade zone in CIS from 18 October 2011.

This issues with the approval of Ambassador.

(D. K. Sharma)
First Secretary (Com.)

