



EMBASSY OF THE REPUBLIC OF UZBEKISTAN IN JAPAN



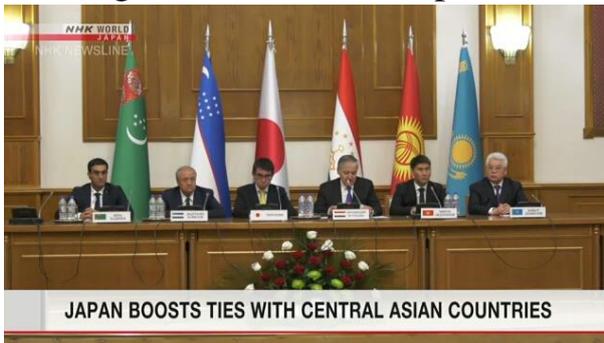
INFORMATION BULLETIN

Japan boosts ties with Central Asian countries

The seventh Foreign Minister's meeting of "Central Asia + Japan" Dialogue was held in the Tajik capital of Dushanbe on May 18 2019.

Japan and five Central Asian countries have agreed to strengthen cooperation in infrastructure and tourism across the region.

Japanese Foreign Minister Taro Kono visited Tajikistan to attend a meeting with his counterparts from Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan.



The foreign ministers of these countries have met on a regular basis.

The ministers reaffirmed their commitment to infrastructure projects that meet international standards to insure transparency and fiscal soundness .

They also agreed to work together to improve the business environment in the Central Asian countries.

To promote tourism in the region, the ministers agreed to support personnel exchanges and introduce a new plan in which a visa issued by one country will permit Japanese tourists to visit any of the five countries.

Kono said at a joint news conference that the ministers adopted an action plan to monitor progress in cooperation in tourism as well as the agriculture, transportation and distribution sectors.

Presidential decree: Uzbek-Emirati Investment Company is exempt from taxes for 10 years

The Decree of the President of the Republic of Uzbekistan on measures to organize activities of the Uzbek-Emirati Investment Company has been adopted. This is reported by the Ministry of Justice.

The LLC Uzbek-Emirates Investment Company with an authorized capital of \$10



million was established on March 24, 2019. It is envisaged that its authorized capital will be gradually increased up to \$1 billion.

The share of the Abu Dhabi Development Fund (UAE) in the authorized capital of this company is 75% and share of the Reconstruction and Development Fund (Uzbekistan) - 25%.

According to the decree, **the Company and its founders are exempt for ten years from taxes for income, property, land, including VAT, while realizing the project.**

Foreign specialists employed in the company, including their family members, are issued multiple entry visas without paying the state duty.

ADB approves a \$170 million loan to improve Uzbekistan's railway fleet

The Asian Development Bank (ADB) has approved a \$170 million loan to help improve Uzbekistan's railway fleet through the procurement of 24 state-of-the-art electric locomotives. The new locomotives will enhance the performance of the railway system by offering cleaner, more reliable, and efficient passenger and freight transport services, the bank's country office said in a statement.

"Transport and connectivity are crucial for the growth and development of a double landlocked country like Uzbekistan, and remains a high priority for our support to Uzbekistan," ADB Country Director for Uzbekistan Ms. Cindy Malvicini noted.



Rail transport plays a significant part in Uzbekistan's economy, particularly in moving large amount of freight in long distances as well as in moving passengers between the country's densely populated cities. The 4,669-kilometer (km) rail network in Uzbekistan carries about 40% of total freight volume and about 4% of total passenger volume of the country's land transport needs. In terms of electrification rate, more than 50%, or 2,350 km, of the country's railway network is currently electrified.

"Having a cleaner, more efficient, and reliable transport network, in the form of electrified railways, will help boost Uzbekistan's growth and maximize the country's potential as a transport hub at the heart of Central Asia," said ADB Senior Transport Specialist for Central and West Asia Mr. Ko Sakamoto.

The project will provide 24 electric locomotives, 16 of which are optimized for freight trains and 8 for passenger trains. These locomotives will help cut greenhouse gas emissions by 900,000 tons per year, while also

reducing local air pollution. The locomotive depot in Tashkent, called “O’zbekiston”, will also be upgraded to effectively cater to service and maintenance needs of the new electric fleet.

Total cost of the project is \$218.3 million, with the Government of Uzbekistan contributing \$48.3 million. The project is expected to be completed by June 2025.

ADB’s \$170 million assistance directly complements other projects in Uzbekistan for the electrification of the country’s railway network, two of which are supported by ADB. In September 2011, ADB approved a \$100 million loan for the electrification of 140 km of railway between Marakand and Karshi, while an \$80 million loan was approved in April 2017 for the electrification of 145 km of railway linking the cities of Pap, Namangan, and Andijan in the Fergana Valley.

Central Bank of Uzbekistan: Inflation rate in Q1 was lower than expected

During Q1 2019, the inflation rate in Uzbekistan was lower than expected and was influenced by seasonal factors from the supply of certain types of food, the expansion of the taxable base of VAT and a slight weakening of the national currency, the Central Bank report says.

The inflation rate was formed under the influence of partial realization of risks and seasonal factors of price changes, given in the basic forecast, and amounted to 13.6% per annum, being at the lower level of the forecast corridor – 13.5-15.5%, the report says.

So, for example, by the end of March 2019, quarterly inflation, calculated on the consumer price index, was 4.3%, which is lower by 0.6% compared with January-March 2018. Annual inflation rates, after a significant decline in January, tended to grow smoothly in February and March.

The main driver of inflation, as in previous years, was the rise in food prices, whose contribution to quarterly inflation was 2.8%. At the same time, the contribution of non-food products significantly decreased to 1%, and the contribution of services was 0.5%.

According to the results of the first quarter of 2019, the inflation expectations of business and the population, after rising in January, had a smoothly decreasing trend. At the same time, the index indicators of medium-term inflationary expectations remain above short-term expectations, which in turn indicates that concerns about the rise in prices in the medium term persist among respondents.

Navoi region of Uzbekistan became the free economic zone

According to the decree of the President of Uzbekistan dated May 15, 2019, Navoi region declared the free economic zone open for innovative, high-tech, export-oriented and import-substituting projects.

The document is aimed to help create the favorable conditions in high-tech industry, doing business and developing innovative entrepreneurship. It also envisages the strengthening of mineral resources processing industry and production of high-quality goods in Navoi region that would be competitive on both national and international scale.

Notably, adoption of clusters and injection of innovative technologies to the area of production are also foreseen in the document.

The decree states that the enterprises of Navoi Free Economic Zone will also be released from paying land tax, income tax, corporate property tax, single tax payments for microfirms and small enterprises.

Moreover, business entities will not pay customs payments (except for customs clearance fees) for equipment, raw material and components imported for production needs, including the construction materials produced outside Uzbekistan, yet imported within the project implementation.

These benefits are granted from 3 to 10 years depending on the amount of investment.

Besides, the founders of enterprises bringing investments, also the members of Navoi Free Economic Zone along with their family members will be issued the “investment visa”. It will be valid for three years and have the extension right without leaving the territory of Uzbekistan.

The steps taken are aimed at the strengthening the localization processes for the production of high-tech products through the development of industrial cooperation between enterprises in the region, the development of transport, engineering and communications infrastructure, as well as the creation of a large logistics center in the region along with capacity building programs based on the current and future needs of the regional economy.

World Bank investment portfolio in Uzbekistan to reach \$4 billion

In the next two months, the World Bank (WB) will provide funding for implementation of four projects in Uzbekistan for a total amount of more than \$600 million. Head of the bank’s office Hideki Mori said this while speaking at a forum dedicated to the role of international ratings in measuring the progress of reforms in the country, Kun.uz correspondent reports.

Last December, it was reported that



the World Bank is financing implementation of 19 projects in Uzbekistan totaling \$3.4 billion, which include support for macroeconomic reforms, agriculture, water supply and sanitation, healthcare, education, energy, transport and regional development.

“Our investment portfolio in Uzbekistan will be the second largest in the Europe and Central Asia region. It will include 23 projects worth \$4 billion. Recently there has been quite a big jump. Since Shavkat Mirziyoyev has started his presidency, we approved 8 projects worth \$2 billion. Whereas during 2015–2017, we on average approved 2–3 projects worth \$350 million,” Hideki Mori noted.

The growth of the investment portfolio in Uzbekistan is the highest among Eastern European countries, he added.

The head of the WB representative office also spoke about the role of international ratings in the development of Uzbekistan:

“Ratings are food for thought. Separately, no rating fully reflects the situation. All these figures show the situation as a whole. Some ratings may not even be based on an accurate measurement. Therefore, it is necessary to understand what is behind this information. You can be happy or sad about the place in the ranking, but it is important to know the reasons that served this in order to make more progress,” Hideki Mori said.

He also stressed that in his personal rating, Uzbekistan ranks first, followed by Japan and the Netherlands. Because the favorite countries of the five-year-old daughter of Hideki Mori are in this order by importance.

“This rating is more important to me than others,” the head of the World Bank summed up.