Shimada Sonjuku Study Trip to Uzbekistan

Haruo Shimada
Founder and Leader of Shimada Sonjuku

1. Introduction

For the period from July 17 to 22, 2015, we, the members of Shimada Sonjuku and myself, visited the Republic of Uzbekistan.

1. Shimada Sonjuku

Before getting into the report of our trip, let me first introduce briefly what the Shimada sonjuku is about. Shimada sonjuku, literally translated Shinmada village school, offers two year program of graduate school level education of mainly liberal arts. This school aims at equipping young entrepreneurs who wish to work globally and support Japanese industry and economy in the near future with knowledge of history, religions, cultures and values of major cultural zones of the world.

The motivation behind is the understanding that Japanese economy will shrink in the future due to decline of population, and people and businesses will suffer from heavy tax burdens due to aging of the population. This means young entrepreneurs will have to work more globally in the near future. Japan will no longer rely as much on manufacturing in the future as it has been in the past. Japanese businesses will have to find out new competitiveness in “solutions.” Unlike manufactured goods, solutions are invisible and intangible. To sell solutions, one needs to understand mutually with the customers and foster trust with them.

Young entrepreneurs who will have to increasingly shift their focus on solutions will need to understand much more than their predecessors the historical, religious, cultural backgrounds of customers in various parts of the world. Shimada sonjuku plans to equip young entrepreneurs with such knowledge not only by books but also with on the spot experiences. During the two year program, we make it a rule to visit countries or areas a few times where we seldom visit but have interesting implications for us to learn. This year, we decided to visit the Republic of Uzbekistan.

2. Why Visit Uzbekistan?

Let me mention four reasons why Uzbekistan is an interesting country for us.
(1) Geopolitical reason: The Republic of Uzbekistan declared independence at the beginning of 1990s in the wake of the dissolution of Soviet Russia. The country has a rather short history as an independent country and is therefore still in a process of constructing the country. The country used to be one of the 15 national republics which constituted Soviet Russia. After gaining the independence, the country tried to associate more closely with Western advanced nations, but at the same time had to maintain good relations with Russia and neighboring countries of Central Asia which also used to be part of Soviet Russia. In other words, the country needs to choose skillfully and wisely the narrow path among major powers and surrounding nations. This international political wisdom of the country is certainly worth observing and learning from us.

(2) Economic reason: The republic of Uzbekistan is said to have ample natural resources under the ground such as uranium, gold, rare-earths, oil, coals etc. The country attracts international attention particularly due to its rapid economic growth in the recent decade. On the other hand, while it has as many population more than 30 millions, the income per capita still remains quite low in the world and even among the central Asian countries. The economy still suffers from the after effect of monoculture of cotton imposed by the central government of Soviet Russia during much of the 20th century. Due to the long held monoculture strategy, the country suffers from a lop sided industrial structure to feed the population and to realized a balanced growth. It is imperative for the country to foster and develop more balanced and diverse industrial structure by which it can generate industrial innovation and development of its own. In this respect, their new challenges are interesting subject for us to observe and learn.

(3) Historical and Cultural reasons: While Uzbekistan has been under the control of Soviet Russia for the most part of 20th century, it has a much more longer history and rich historical and cultural inheritances. It has enjoyed a long history of some 3000 years of civilization. The Uzbek people and the nation has experienced during its long history influences of many surrounding nations and great powers such as Persia, Turkey, Mongolia, etc. Uzbekistan has occupied a geographical corner stone of ancient “Silk Road.” There exist many historical inheritances in such cities as Samarkand and Bukhara at the time of prosperous transportation along the Silk Road. The Republic of Uzbekistan is in a sense a precious museum of the rich history of Asia.

(4) Relations with Japan: Economic, political and cultural exchanges between Uzbekistan and Japan are growing steadily recently. Uzbekistan people have feel rather close to Japan and have favorable view about Japan. In recent years, the popular TV drama of “Oshin,” a story of sincere and diligent girl in a traditional farming area in the age of early development of Japan, apparently is very popular in Uzbekistan. President Islam Karimov visited Japan already three times. From
Japan, prime minister Jun-ichiro Koizumi visited the Republic of Uzbekistan ten years ago for the first time as Japanese prime minister. Japan is a rather late commer to cultivate the relationship with Uzbekistan. This implies, however, there remains ample untapped areas between the two countries to cultivate. Uzbekistan in a sense provides a rich virgin area for Japanese young entrepreneurs to plunge and develop their own businesses working with Uzbek friends.

(5) Human connections: The most immediate reason why we decided to visit Uzbekistan is that I happened to have been acquainted with an active and very friendly Uzbek young gentleman Mr. Mansur Bakhiriddinov by introduction of Mr. Matsumoto, Ken’ich, president of Sakura Holdings, who used to work in the ministry of foreign affairs of the republic of Uzbekistan, graduated from graduate school of Keio University or an alumni of the same school which I graduated, and currently works as representative director, General Incorporated Foundation, The Japan Uzbekistan the Silk Road Foundation. Having associated with him on various occasions I got increasing interest in Uzbekistan and the members of Shimada sonjuku also were interested in this country.

In the process of planning our trip to Uzbekistan, Mr. Mansur introduced Mr. Alisher Abudusalomov, counsellor of Embassy of the Republic of Uzbekistan in Japan in charge of foreign economic relations, investments and trade. He did a great job of planning all the official visits to government offices and research institutions while we are in Uzbekistan. Without the help of these friends, our trip to Uzbekistan could not have been realized.

Thanks to their arrangements, various government offices and research institutions in Tashkent and also city mayors and offices of the cities of Samarkand and Bukhara offered us heart felt welcome, provided us valuable information, offered us frank and open opportunities of discussion. We owe tremendously to them for their invaluable services.

We are also indebted to Mr. Furukawa, Motohisa, Diet member of JDP who introduced us to the right officials of Japan Ministry of Foreign Affairs. Ms. Sekiguchi, Yoko introduced us to Ambassador Kato, Fumihiko stationed in Uzbekistan he warmly welcomed us in Uzbekistan and gave us valuable briefing of the country.

Let us express our heartiest gratitude to them for their warm and invaluable support and assistance.

3. Members of Sonjuku Team Who Visited Uzbekistan

The members of Sonjuku who participated to the trip were as follows:
1. Mr. Haruo Shimada: President of Shimada Sonjuku, president of Chiba University of Commerce.
5. Mr. Yamada, Isao: Ypsilon Co. which provides concierge and financial services for wealthy customers. COO.
6. Mr. Sugimoto, Tetsuya: Tokai Electronics Co. Executive borad member.
7. Mr. Sengoku, Yasukazu: Sangikyo Co. which provides high tech services of communication devices and systems. He launched recently business in Uzbekistan working with NEC, Japan’s major computer and communication co. to develop digital TV network.
8. Mr. Hayashi, Norifumi: President, Akasaka Intrernational Accounting Firm, CPA
9. Mr. Kaneko, Hirofumi: President, Living Platform Co. providing nursing services for the aged.
10. Mr. Fukuda Mitsuhide: President, Businext Co. executive board member, Aful Co.
11. Mr. Osano Sho: Kokusai Kogyo Co.
13. Mr. Fujita, Ken: Fujita Industries Co. Real estate services. Executive board member.
15. Mr. Suzuki, Shiro: Sanko Steel Co. President.
16. Mr. Yokoyama, Hldeyuki: Rio Group Holdings Co. Executive board member
17. Mr. Tatsuno, Mitsuhiro: Tatsuno Co. Executive board member.
18. Mr. Kano, Shinjiro: Tatsuno Central Asia LLC, Executive director

II. Quick Overview of the Republic of Uzbekistan

Prior to the trip to the Republic of Uzbekistan, we studies about the country at the workshops of Shimada sonjuku. I assigned the willing members to do some home work to study selected aspects of the country. Four of them prepared reports: Mr. Sengoku, Yasukazu on ICT communications, Mr. Ishii, Hiroaki on energy conditions and policies, Mr. Sugimoto, Tetsuya on road conditions and automobile sector, and Mr. Kazunori, Kimura on education. I myself read several books on Uzbekistan, and read a few dozens of documents available both on hard copies as well as on the net, and prepared some 30 page detailed analysis of the republic of Uzbekistan on its history, politics, economy, diplomacy, and its relations with Japan. Since there is no space to introduce the contents of all this preparation in this report, let me introduce briefly some gists of our preliminary study of Uzbekistan in the section which follows:
1. A Large Country in Central Asia  Uzbekistan locates in the center of so-called Central Asia. Among the five countries of Central Asia, Uzbekistan has the largest population as many as 30.5 millions. This is just about half of the entire populations of the five countries.

2. Central Asia and the Silk Road

Central Asia is located in the center of the path for transportation which combines Eastern Asia represented by China and Western world. In a sense, one could say that this area played the corner stone which supported the development of global civilization from the ancient era. This path has been known since ancient times to medieval era as “Silk Road.”

This road has been used to transport the silk produced in China and Japan to Western countries. Just about the center of this global transportation path located the cities like Samarkand and Bukhara. Samarkand has been the capitol city of the great Timur dynasty which governed a huge territory in 14th and 15th centuries covering not only the entire area of contemporary Central Asia but also extends to much wider peripheries. Uzbek people are very proud of identifying themselves as the descendants of this great Timur dynasty.

By the way, the new contemporary “Silk Road” attracts attention of the world. This is the concept of combining a city in eastern China to Dusseldorf in Germany extending several dozens of thousands kilometers of railroads. The inter-continental rail road has been already completed in a single track and contributing to increase the trade amount between China and Europe dramatically. When this Silk Road is completed in the form of double track, this inter-continental railroads will alter the entire picture of global transportation of goods and people. Uzbekistan, which is located in a strategic position, will attract fresh attention of the world in this context as well.

3. The Melting Pot of Diverse Nations and Cultures

The fact that Uzbekistan has been located in the center or the pivoting point of transportation and trade between East and West necessarily made Uzbekistan as the arena of competition, conflicts, confrontations, warfares and conquers among many tribes, nations, and empires throughout the histories of ancient and medieval eras, and modern times.

Currently, the Republic of Uzbekistan is inhabited by multiple nationals: although Uzbek people occupy more than 80%, peoples with Russian, Tajik, and Kazakh origins fulfill the rest. The long and rich history of this area tells us that this area has been dominated, conquered and controlled by many different powers of the time. Currently we can witness of leftovers of their influences in rich remains of historical assets of the country.
4. **Control by Russia**

Since the mid-19th century, this area has been controlled by Imperial Russia. Imperial Russia collapsed in the wake of Bolshevik revolution in 1917. Soviet Russia which replaced Imperial Russia advocating “communism” put this area under the even more strict and exploitative control than Imperial Russia. Soviet Russia kept suppressing and exploiting peoples of the areas surrounding Russia with the system of federation of national republics, which is a kind of national slavery system. Uzbekistan and other countries of Central Asia were incorporated in this system of suppression and exploitation.

5. **Mono-culture Economy Forcefully Imposed by Soviet Russia**

Soviet Russia forced 14 national republics which constituted peripheral areas of Soviet Russia and still more satellite countries which surround Soviet Russia to accept mono-culture industrial policy, that is to oblige everyone of sub-ordinate countries or areas a single industry to specialize. Uzbekistan was forced to accept cotton growing.

Since Uzbekistan climate is largely dry and has little rain falls and is not suitable for cotton growing which needs a lot of water supply. However, since it is impossible not to obey the order of central government of Soviet Russia, Uzbekistan people tried as much as possible to grow cottons. They tapped water from major rivers which pour water into Aral sea, which is the fourth largest lake in the world. Having tapped water which would otherwise pour into Aral sea for more than half a century, Aral sea suffered from drastic loss of water reserve, which is now only a third of the surface and a fifth of water reservoir compared to the time when the sea had the richest stock of water. Consequently, Uzbekistan now suffers from many problems of environmental destruction. This issue seems very sensitive, and not much data or analysis are available for outside observers.

This kind of forced mono-culture naturally exerted undesirable consequences on Uzbekistan economy and employment opportunities. This lopsided structure of industry disturbed the balanced growth of manufacturing industries except machineries related to cotton harvesting and processing. As a result employment opportunities did not grow with diversity.

6. **Political Implications of Control by Soviet Russia**

Soviet Russia imposed stern control on politics, ideas and speeches. In particular, at the era of Stalin, the control was most stringent. Stalin is known as committed a massacre under the name of “Terror.” He killed anyone who do not follow or obey him whether they are politicians, government officers, business people, commoners, or farmers. The victims of Stalin’s terror are said to have amounted to 5 millions if only within Soviet Russia.

At the time of Stalin, in Uzbekistan as well, thinkers, activists and politicians who
dedicated themselves to promote nationalism were cleaned up and killed. In the
wake of Gorbachov's attempt to dissolve Soviet Russia, peoples of many national
republics began waging toward independence almost simultaneously. However, even
Gorbachov who advocated Perestroika or Glasnost forced leaders in those countries
who criticized apparently Soviet Russia lose their positions. Vladimir Putin, who later
became a powerful ruler of Russia, continues to suppress systematically critics,
politicians and governments against Russian control or destroy them mercilessly.
Chechen, Armenia and Georgia have been some of those victims. Azerbaijan
suffered from such tragedy shortly after the declaration of independence.

7. President Islam Karimov

A common phenomenon among victimized countries is the people’s movement
seeking for liberty, freedom, human rights, and democracy against the control and
suppression by Soviet Russia as symbolized in cases of so-called “color revolution”
as exemplified in Georgia and Ukraine. Azerbaijan learned from the tragedy of
“Nagorno-Karabakh” shortly after the declaration of independence, and during the
following period of rein of Mr. Heydar Aliyev and Mr. Ilham Aliyev, they established
a highly stable political system vouched by highly rigorous control of information,
speeches, and ideas, and successfully realizing rapid economic growth by
concentrating efforts and resources on oil digging and production.

In Uzbekistan, Mr. Islam Karimov was elected as president at the time of declaration
of independence who had been the first secretary of Uzbekistan Communist Party,
Central Committee. President Karimov skillfully and sensibly avoided outright
confrontation against Soviet Russia and has been maintaining good relations with
the subsequent Russia. President Karimov has maintained his position as president
for a long time even at times resorting to change the constitution. In March 2015,
he won the presidential election for the forth time and he has been keeping the
office for quarter of a century continuously.

Some of the Western media and critics criticize President Karimov’s political way
of keeping the power. They criticize that President Karimov’s way cannot be
accepted in their criteria of democracy. This issue raises the question as to
what is the best or better for the people. Western way of governance and
democracy is certainly a good model. But perhaps such a model can be established
and maintained by the combination of some critical economic, political and
social conditions such as the level of economic development, political maturity of
people and the like. We may recognize the reality of much broader and diverse
world where countries choose their own ways of governing the country based
upon their own economic, political and social conditions. The case of Uzbekistan
gives us an interesting case to think more deeply about the political choices of
the nations.
8. Economic Challenges of Uzbekistan

Uzbekistan economy is said to have been enjoying sustained rapid growth at an annual average rate of 8 percent in real terms for the recent decade. Uzbekistan attracts attention of international community of experts as one of the fastest growing economies in the world.

This rapid growth seems to have been realized partly by high prices of precious metals, rare earths and oil and gas that have happened to have been realized in the global markets, and partly because continuous major investment projects on infra-structure such as railroads, power stations, highways etc jerked up the growth rate for the relatively small GDP of the economy.

The Uzbekistan economy seems to be at an important phase of historic transformation. Uzbekistan has the largest population among Central Asian countries as noted above. But its income per capita remains low at the level of barely 2000 USD, which is among the lowest income countries of the world and third from the lowest even among Central Asian countries.

Uzbekistan is gifted with rich natural resources such as uranium, precious metals, oil and gas, with abundant young and well educated population which can be mobilized as the population bonus for rapid economic growth. The economy, however, has been long disturbed from launching balanced industrial growth, as noted above, by the imposition by Soviet Russia of lop sided “monoculture” of cotton production.

Since the independence, economic policies of Uzbekistan have been managed as the most conservative mode even among Central Asian countries. For example, the pace of market opening toward foreign trade and structural reform of the economy has been kept intentionally sluggish perhaps for political considerations of maintaining stability and security, which consequently kept the pace of economic transformation sluggish in the era of global competition.

Recently, the government has started forcefully new strategy to realize diversification of industrial structure. In addition to enriching industrial infra-structures the government has been eager to develop various branches of industries with the help of foreign cooperations ranging from chemicals, machineries, computers, electronic appliances, ICT high tech industries to services. This is a good challenge.

Important tasks are to let such economic dynamism to operate to enrich
incomes of large part of population, and also to pave the ground for foreign businesses to join more actively in trade and investment. For the latter, specifically, the government should promote transparency, predictability, and convenience for policies for foreign exchange control, introduction of the practice of letter of credit and advance payment for foreign exporters, the practice commonly adopted in most industrial countries in the world.

III. Report of Our Trip to the Republic of Uzbekistan

1. Day One (July 17, Wednesday)

We, Shimada sonjuku members and myself, planned to leave Narita International Airport at 10:05 by Uzbekistan Airlines flight 7513 for Tashkent. Mr Alisher Abduusalomov, and Mr. Mansur Bakhiriddinov came to the airport to see us off. Incidentally, Mr.Mansur asked Mr.Yamada Isao to carry as many as 11 big carton boxes which Mr. Mansur wants to send to his brother living in Tashkent.

The flight took about nine hours and a half. Flight was smooth and services were all right. The problem particularly for business class was that the seat could not be completely flat so that it was not easy to sleep on the way. After some hours, I moved to the economy class section where there were a lot of empty seats. I stretched my body across these seats and slept a couple of hours. Food was good except red wine which was too sweet, like a Georgia wine.

As our plane approaches the city of Tashkent, we look down over the land. As the plane lowers its height and approaches the airport, there develop scattered houses on the land. Most of them looked shabby small houses. As the plane got into the city area of Tashkent, there appear many modern buildings. The plane landed Tashkent International airport on time, namely, half past 3 O’clock in the afternoon of July 17 local time. The airport looked very humble. It looked just as the airport in a small local community.

We were cordiary received at the airport by an official of the Ministry of Foreign Economic Relations, Investments and Trade. Our tour guide, Mr. Khojiev Zafar was waiting us outside of the passport and immigration control section. He spoke Japanese amazingly fluent and fast.

We got on a big bus which we rented for the trip. Mr. Zafar gave introductory briefing of the country. He explained the size of the country and the city of Tashkent, and about himself. He attended Samarkand College of Foreign Languages eleven years ago. He learned Japanese there and also on the job by Japanese tourists. He visited Japan twice
but only 11 days altogether. He also speaks English fluently. During driving for half an hour we were impressed by the cleanliness of the city. There were hardly any trashes or wastes on the streets.

He talked about the close and familiar feeling of Uzbek people on Japan. He asked us the reason why. The most important reason, according to him, is the influence of TV drama, “Oshin.” which is now on the air. In fact, at several occasions during this trip, this point was endorsed by other people. “Oshin” is the name of the woman who lived hard life during the early stage of Japanese economic development. The story was written by a popular scenario writer Ms.Hashida, Sugako, and this TV story was on air in several dozen of countries in the world in the last couple of decades. Mr. Zafar told us that Uzbek people had a close mental feeling to the way she tried to live through the repeated hardship.

Mr.Zafar emphasized that Uzbekistan thinks “security” and “safety” the most important. This is a message we hear almost every place in Uzbekistan. Mr. Zafar added that things change slowly but steadily.

He also explained about changing money. The policy of currency control seems obviously very rigid. We, tourists, were asked to report exact amount and types of currencies when we enter the country. This is the basic document to compare the amount and types of money we have then we depart the country. We are expected to explain the reasons for changes of the figures of the two reports at the exit. We could use dollars in the country in such places as banks and hotels, but other places such as shops and stations we must use “sums” the Uzbekisatn currency. We can change dollars to sums relatively easily, but it is impossible to change the sums back to dollars when we leave the country.

Mr. Zafar said that the official rate of exchange is a dollar is worth 2500 to 2600 sums at the current rate. He advised us that whenever we need to pay in sums at restaurants or shops we can ask Mr.Zafar to change the dollars to the sums so that we can conveniently obtain necessary amount of sums at the official rate whenever we need it.

We arrived at International Hotel Tashkent. The hotel building stands up in the most convenient place in the city of Tashkent. Interiors and equipments are excellent. It is obviously the best hotel in Uzbekistan. We refreshed there for an hour and left together for the residence of Japanese Ambassador.

We arrived at Ambassador’s residence at 18.:30. The residence is a good and distinguished looking house located in a quite residential environment. Ambassador Fumihiko Kato and Mrs. Ambassador kindly welcomed us at the entrance. They cordially invited us into a large and cozy banquet room. We sat around the long table.
Ambassador Kato welcomed us and introduced himself, his wife and his fellow officers. Mr. Kato told me that he worked together as a high official of prime minister’s office with me to promote prime minister’s project of creating 5.3 million jobs which I was chairing the task force. His story reminded me of our common experience of 10 years ago.

He prepared a good summary of describing Republic of Uzbekistan. He briefed about the country to us using this power point exposition. He emphasized 7 points: 1: the country has the largest population in Central Asia, namely, 30.5 millions, 2: country is gifted by greens, 3: ample under the ground resources, 4: stable politics and good security and safety, 5: moderate and kind national characteristics, 6: they favor Japan, 7: keen interest in Japanese technologies.

After his introductory briefing, he cordially invited us to the dinner. Mr. and Mrs. Ambassador kindly prepared Japanese dish of Chirashi-zushi for us which needs a lot of fresh fish. In Uzbekistan which is a double inland country, it is not easy to obtain fresh fish. They kindly prepared this dish because they knew that we will spend several days in Uzbekistan from the next day and eat Uzbek dishes using vegetables, cotton oil and meat. We were well refreshed by this Japanese dish which we like.

During the dinner, we discussed and chatted on various topics. We were sitting around four tables. I and a few members were at the table with Ambassador and others were with other Embassy officials. We talked about the reality of Uzbekistan economy, its growth and inflation, how to secure national and social security, community organization such as Mahara, politics, Uzbek diplomatic policy and relaiitons. Ambassador introduced us the important facts about Japan’s economic and industrial cooperation with Uzbekistan.

He also introduced us about the comparative data of trade, investing firms, and business people working in Uzbekistan comparing Russia, China, Korea and Japan. Impressive it the fact that Korea’s penetration into Uzbekistan is much more than 10 times of Japan. i.e.: Trade, Korea 2 billion dollars while Japan 0.2, Investing firms, Korea 410 while Japan only 10, resident businessmen: Korea 2000 while Japan only 120.

While the presence of Japanese businesses in Uzbekistan seem much less than Korean businesses, they deploy some important projects such as major power plant developing projects: i.e. Navoy plant, and other comprehensive power projects, Ambukhara irrigation project, JICA technology development cooperation project, JOGMEC and NEDO uranium and other rare metals proving project, Isuzu bus and truck co’ bus manufacturing project which produced 20000 units of busses, NEC and Sangikyo on ground digital TV network project, JBIC and NEXI loan project etc.
We discussed many more topics of our mutual interest until late at night. We left Ambassador’s residence expressing our heart felt thanks as late as close to 10 O’clock.

2. Day Two(July 18, Thursday)

Today is the day of trip to Samarkand and to Bukhara. Early in the morning at 6:00 we left the hotel for the railroad station of Tashkent. Since we were advised in advance not to take pictures at stations, airports and other places which have some role for maintaining security, we refrain ourselves from taking pictures. The express train was waiting at the platform. The train left the station shortly after 7:30. In fact, we chose the train an hour later than was initially scheduled.

During the three hour ride, snacks were delivered. Other than that, the trip was monotonous. After leaving the tashkent station, town scenery quickly passed away and we kept seeing infinite successions of almost bare fields, rocky hills, and sometimes, slender cows and shabby farming houses. We finally arrived at the Samarkand station. This is a city. This is the famous historical city in Central Asia. City officials cordiary welcomed us at the station.

We stepped on to see some of the famous historical sites. Weather forecast earlier indicated that the temperature in Samarkand would be around 40 to 43 C. This level of temperature is inexperienced and unheard of in Japan. I was curious and a bit scared to actually experience it. However, the weather today was unexpectedly cloudy. In Central Asia we expected that the weather is always fine with glittering sunshines and hot air. Perhaps very luckily the weather of cloudy day, we were able to walk around without too much suffering from the heat.

We first visited Gur Emir Mausoleum. This mausoleum is dedicated to the kings of Timur Empire. Timur Empire ruled a large territory encompassing not only the current Central Asia but also extends to large peripheral areas during the 14th and 15the century. Uzbek people are proud of being the direct heirs of this great empire. Samarkand is well known as the important site of the ancient silk road which combine east and west. The remains of the mausoleum was renewed in 1996. The blue round roof and blue walls are characteristic of the building of Samarkand religious building at the time.

We then visited Registan Square. This is a symbolic place of Samarkand in the sense that after the destruction by Genghis Khan, the old city of Samarkand was reconstructed starting around this square. The square is surrounded by three major
medrese, which means religious house or school. They are Ulugbek Medrese, Tillya Kari Medrese, and Sherdor Medrese. We stepped into the inside of these buildings of medreses which were tranquil and had an atmosphere of academic dignity.

We were honored to have been invited to the lunch offered by the mayor of the city of Samarkand. The restaurant prepared by the mayor was located at the quiet place surrounded by woods of pine trees, and was a very cozy place.

The host of the lunch was Professor Alimddan Rakhimovich Khalmukhamedov, Rector of Samarkand State University University, was waiting for us. Since the mayor had an emergent job, he was unable to come and asked Rector Alimddan took the role of the host, he explained. We sat around the nicely arranged table. First, Rector Alimddan cordially gave an opening remark of welcoming us to the city of Samarkand. He did not speak English, and his colleague translated the speech and the following conversation. Rector Alimddan is mathematician by training and took the job of rector of this university only a few months ago.

I then thanked his invitation and explained the reason of our group to have visited Republic of Uzbekistan and the city of Samarkand with a brief introduction of each of our members.

We started the lunch. The dish was typical Uzbek dish. First a lot of fresh vegetables, then appetizers as fried meat or vegetables, then soup, and finally cooked voluminous meat. We enjoyed conversation with the rector covering many topics such as mutual understanding of the two countries, mutual exchanges of youths of the two countries, keen interest of Uzbek people to Japan, religions, observations about IS.

Rector Alimddan acknowledged that there are a variety of religions which people believe on the earth, but strongly emphasized that IS does not represent forthright Islam. His colleague, an official of the city of Samarkand, explained that Samarkand has not only many excellent educational institutions but also many industrial plants. Foreign industrial investments are increasing. Japanese government officials have been visiting Samarkand,

Rector Alimddan talked that security is recognized strongly by Uzbeki people. For Uzbek people defending the family and the country is the same thing. I responded that Japanese think defending families is important. But their thoughts about defending the country in the postwar period being particularly sheltered by the US is not quite determined as Uzbek people. I concluded that this is one of the points that we Japanese may learn from Uzbek friends. Talking over many topics, time passed and we realized that we need to wrap up this lunch session.

Having expressed our heartiest thanks to the cordial welcome and splendid lunch,
taking the picture together, we left the restaurant.

We then visited Bibi Khanim mosque. This is the huge temple built by the founder of Timur dynasty from the end of 14th century to the beginning of 15th century. This was said to be the largest mosque in Central Asia which was able to accommodate more than ten thousands worshipers. The old structure was ruined by repeated earthquakes, and the building is currently under rebuilding construction with the help of UNESCO after the collapse of Soviet Russia.

The final visit of today was Shakhi Zinda Mausoleums. This is the complex of many mausoleums which were built during 9 to 14th centuries. The name Shakhi Zinda literally implies alive kings. Mr. Zafar said that many mausoleums are dedicated to queens and princes which are relatively rare. To visit these mausoleums, we need to climb some 50 or so stairs which is rather tiring. We walked up and then down to finalize the course of today.

The next destination of today is Bukhara. Bukhara is an old and relatively small city. This city is full of historic sites and monumental building. This historic city is like the city of Kyoto in Japan.

The city of Bukhara is however a few hundred miles away. It must take at least five hour ride by bus. The bus kept running on a straight highway heading toward the west, the direction of setting sun. All of us fell asleep after a full day of walking, talking, eating and drinking. On the way, bus stopped once for refreshing. Then after a while, we were stopped by the police. It turned out that the police offered us to escort by the police car ahead of the bus. So kind of policy?

This police escorting was planned. We were treated almost like a national guest. As the sun set, we came into the city zone of Bukhara. With increasing amount of traffic, the police car led us with warning blowing to tell others to stay aside. Thanks to the leading of the police, we were able to reach the hotel at around 8 pm, the final timing to have dinner.

The dishes are again typical Uzbek dish. Many of us were avoiding red wine because of our experience on the Uzbek airline. But someone tried the red wine and said not bad. I then tried, it was all right. We slept preparing for the hard sight seeing plan of tomorrow under the burning heat of 43 or 45 C according to weather forecast.
3. Day Three (July 19, Tuesday)

I walk up early. The hotel which is more like an inn is surrounded by some trees. Beyond the trees, there is a swimming pool. Some of our young members were already enjoying morning swimming. Breakfast was good. A lot of fresh vegetables, optional omelett, fruits, cheese, ham, sausages, and other ample materials.

Members are prepared to protect themselves in their own ways against expected tremendous heat. We started to walk first to visit Ismail Samani Mausoleum, which is nearby the hotel. This is perhaps the oldest remaining Islam building. It is said to have been built during BC 892–943.

The sun was already high and sending us warm beams. Roads are hot but shadows of the trees were tolerable. Mr. Zafar explained everything we see in detail. He speaks Japanese faster than most Japanese. We enjoyed half an hour of walking around nearby. There was an old building of medrese. Inside the medrese walls, there was an open space paved by wooden bricks and tables and chairs. The whole space looked nice, cozy and relaxing. Stepped into the space, venders nearby said to us, “Konnichiwa.” in Japanese.

This was surprising but nice. They were selling beer and snacks. I solicited a few of the sonjuku members to sit at the cozy table together and enjoy morning sip of beers. It was delightful. I became very happy.

The time has come for the members to go further to other sites. I thought and decided to quit walking further, and return to the hotel, and to the deckchair at the side of the swimming pool. I justified myself that this is the privilege of an senior man. While the sun was burning, the shade of the tree, particularly at the side of the swimming pool, was comfortable.

Other members were visiting the famous site of Char Minar, the unique building which has four outstanding towers with blue round roofs. This building was used as a hotel for caravans going across deserts. They also visited Chashmai Ayub, which has spring inside the walls. The name Ayub is named after the name of the spring.

After a few hours, the sonjuku members led by Mr. Zafar came back to the hotel. They all said it was extremely hot outside. They changed clothes in my room. I specially asked the hotel to let me use the room all day for other members to keep their luggages and change clothes. The hotel kindly let me use the room the rest of the day. They changed clothes in order to attend the lunch invited by the major of the city.

The restaurant which was designated by the city was located in fact close to the
hotel. We went to the restaurant and went upstairs where the table for us was arranged. The table was nicely arranged and the sonjuku members sit around the table. The host has not arrived yet. I stepped down the stairs to the entrance hall to welcome the host. The host was supposed to be the mayor of the city. But because of emergent reason, the host of our lunch will be by the vice mayor.

The doors of the entrance were not closed. I thought I would step outside to greet to the vice mayor when he arrived. I stepped out of the doors and immediately felt that I should not. It was unbearably hot to me. It is almost like standing beside the burning blast furnace of old times or glass melting pool of glass plant.

We, Japanese, who live in a climate where the temperature is never higher than the body heat, we tend to undress when we go out. But in a country like Uzbekistan, where temperature often goes higher than the body heat, you should hide yourself inside the buildings and protect yourself with long sleeves, long pants, and not let the hot air of outside touch directly your skins. I leaned a wisdom of people living in the extremely hot climate.

The vice mayor arrived. He is a well experienced manager of city administration. He did not speak English so that Mr. Zafar translated. He welcomed our visit. He said that since both Uzbekistan and Japan are nations in Asia, both countries can develop exchanges much more for the future.

He is in charge of budget control of the city. He has three children: two boys and a daughter. One of the boys is now studying in Germany. The greatest hope and joy for him is to see his grandchild who is expected soon.

Asked what is the policy of the priority, he quickly answered, “security” the same answer we hear at various places. It is amazing that the value of preserving safety and security is this much shared by various ranks of population. Asked what specifically the kinds of dangers, he did not reply directly.

He emphasized the importance of family and family relations. This is the deeply built in Uzbek thoughts and culture. Relating to it, he appreciates Japanese TV program of “Oshin.” which he said to have seen five times. He said the values of Japanese as expressed in Oshin story and Uzbek people are common. I said that the values and family structures in Japan changed drastically for the last several decades, and Uzbekistan may well experience the similar change. Responding to it, he said he does not want to see it nor think it.

We talked many other subjects, and again time passed. We thanked his invitation and frank and warm friendship and saw him off the restaurant. He drove his car himself.
We proceeded to see still other sites in the very hot afternoon. The sonjuku members visited still a few more famous monuments. I relaxed myself again at the swimming pool side. They returned hotel after a couple of hours. They all seemed exhausted which was expected and understandable. All the members except me completed all the program of the visits. Though they are much younger than me, I admire their curiosity and challenging spirits.

On my side, the choice of staying hotel, at the side of the swimming pool, was a wise decision, especially thinking of an extremely heavy burden of the next two days in Tashkent, where I must take all the burden and responsibility to make the series of discussion successful.

After leaving the hotel in the evening, we took a light? meal at restauran Dolon. Since the lunch was big and late, I did not really want to eat, but had some.

We went to Bukhara airport to take the local flight, and arrived at the local Tashkent airport after an hour or so. These two local airports, ironically, looked much more modern and better equipped than Tashkent International Airport.

We arrived late at night at International Hotel Tashkent, which now looks quite familiar like my home.

4. Day Four(July 20, Monday)

Tashkent was fair sky. Weather forecast says that the temperature would be around 43 to 45, Centigrade. Today, we will have six meetings with government offices and research institutes. Since we will spend most of our time in office buildings, we thought that we will survive the hot weather.

Breakfast of our Hotel, International Hotel Tashkent was fine. We are supposed to start the first meeting from 9:30 with the Ministry of Economy led by Deputy Minister Mr. Turdiyev. We were told shortly before the scheduled time that the Ministry would be so busy in the morning of Monday so that the meeting with the Ministry of Economy would be after the lunch.

○The Fund of Reconstruction and Development of the Republic of Uzbekistan

We were told that the first visit will be the Fund of Reconstruction and and Development of Uzbekistan. The office is in the building named BNU nearby our hotel. The building is quite tall. It is said to be the highest in Tashkent. When we arrived at the office of the fund, which is on the high floor, the officials kindly invited us to the window
side so that we were able to see not only the city of Tashkent but also a much broader area around it.

The team led by Mr. Gliamov, instead of originally planned deputy minister Mr. Vafayev, started self introduction and explanation of the activities of the fund. The fund was established in 2006 by the initiative of President Islam Karimov. Major objective of the fund is to finance projects of strategic importance. The fund started with 1 billion dollar endowment in 2006, but now is with 35 billion USD.

The fund finances mainly commercially viable industries such as oil, infra-structure, communication systems and not such public activities such as education and hospitals which are to be supported by the government. Investment projects for such industries as textiles, auto manufacturing, food processing and services are financed mainly by commercial banks. The fund finances big projects such as chemical industry basis, power stations, railway systems which would take billions of dollars and sometimes 10 to 15 years to complete. The fund activities resemble those of Japanese JABIC and JICA.

As the initial phase of their introduction and briefing came to a pause, I responded to them by thanking their providing this sort of special opportunity to share information and promote mutual understanding. Having expressed our gratitude, I then took a few minutes to introduce each of our team members by name, the name of the organization they belong to, title and position, the the type of work or profession they are engaged, and description their personality or outstanding feature to let them understand more amicably who the visitors are. I repeated this practice near the beginning of every session so that I will not refer to this in what follows.

In the recent 8 years, the fund financed 100 projects and spent 36 billion USD. Of which, 57 projects have been either completed or close to the completion. Currently 47 projects are under preparation. The fund is working hard for feasibly studies and other preparations.

They introduced some of the projects more concretely. For example, Surgil project, which is a project to build a chemical plant complex carried out with 2.5 billion dollars project finance from the Fund and at the same time Japan, EU, Korea and China jointly finance the project. Tali Margian project of building power stations of 900 mega watt which is financed more than one billion dollars. Finance is by the Fund and Japanese agencies such as JAICA and financial institutions together with the Asian Development Bank. Railway project which delivers cargos from Central to East Uzbekistan for the length of 122 km passing through 19 tunnels including the longest tunnel in Uzbekistan. Japanese consultants help the project. China railway co. participates the projects.
New projects which are planned or being launched include for example diesel fuel, jet kerosine, ammonia processing, power stations, methane processing, solar power stations etc. To these projects, Korean, China, Spanish organizations in addition to Japanese JAICA, NEDO and Asian Development Bank participate.

The Fund envisages promising development plans for the near future. That is, to develop industrial basis and infra structure, and promote privatization. When the country declared independence in 1991, GDP per capita was only 300 USD. Now it is 2000 USD and 6600 USD when measured by PPP.

To promote such transformation and develop the economy, the government recognizes the importance of supremacy of law to construct the market system graduating from the previous communist planned economy. The government should play the role of main reformer. The process of reform, however, needs to be gradual. And the private sector has been steadily developing. The recent macro performance of the economy of growing around 8 percent in real terms well reflect such powerful development of the private sector.

Mr. Koshiba, Taro of sonjuku asked the question as to how to proceed the privatization process. The Fund replied that the state owns the infrastructure and solicit the private sector build industries utilizing such infra-structure. In many cases, the public assets are sold or to transferred to private organizations very cheaply.

Mr. Tatsuno, Mitsuhiko of sonjuku asked how the process of bidding is carried out. The Fund official explained the process referring to some concrete examples of involving foreign investors and businesses.

Ministry of Development of Information and Technologies and Communications of the Republic of Uzbekistan

Prior to the meeting with this ministry, we were advised that the capacity of the room they can accommodate us is so small that they have to let only three of us meet with the officials of the ministry, and they hinted that those three would better be Mr. Sengoku, Yasukazu vice president of Sangikyou Corp which has high level technology in arranging communication systems and devices, Mr.Sugimoto, Tetsuya, executive of Tokai Denshi corp, which produces various electronic devices, and myself.

Among the three of us, Mr. Sengoku has a special relevance in this meeting because his company started working recently in Uzbekistan together with NEC(Nippon Electronic Corporation) to develop digital TV network. Quite naturally, Mr.Sengoku took initiative and spent much of the time of the discussion with officials of the ministry.
They started discussion by introducing recent experience of working with Japanese organizations such as JABIC and businesses in such areas as cable transmission, digital TV and backbone systems. Mr. Sengoku asked a series of questions to understand and make clear as to what is the current situation in Uzbekistan of public and commercial communication systems and net work.

We gathered that the mode of basic communication system prevalent in the country is GBM, which is the communication system allowing voice conversation. On the top of this, the government is earnestly developing 3G network which allows data communication, and also 4G or LTE, next generation of faster and voluminous communication of information. Currently there develop a small coverage of FTTH, or optical fiber system, and the rest is covered basically by ADSL. The government is working on a long term development plan from 1992 to 2023 to cover the country by the communication network of most advanced technologies.

On the sphere of mobile communication systems, they say there are 5 private operating companies working in the market. Mr. Sengoku asked if 5 companies in the size of Uzbekistan market is too many referring to the fact that even Japan has only three principal operators where the market is 10 times larger. Their answer was the larger the number of operators, more competition is expected. Mr. Sengoku asked how the huge cost of investment to facilitate the mobile system by the private operator is shared by subscribers. Their answer was the investment cost is not shared by the subscribers, the answer we were unable to understand unless such private costs are born by the government.

They referred to the fact that Uzbekistan has a Telecom and IT University, where 2000 students learn telecom and IT technologies and management, and this provides highly trained and valuable engineers and managers to the industry and public service. They also emphasized toward the end of the meeting that since 1992, shortly after the independence, many Japanese companies such as Mitsui, Marubeni, NEC helped Uzbekistan to develop communication systems. They provided valuable services in preparing and developing the systems and teaching and training the local staff with unlimited effort, to which Uzbekistan people are deeply grateful.

Lunch at Italian restaurant “Vero”.

Three of us joined the main party of our group who have been spending time to wait for us elsewhere. We jointly went to an Italian restaurant “Vero.” The dishes served there including appetizer, salad, pizza and spaghetti were all excellent. We were somehow refreshed by taking Italian dishes perhaps because we have been taking Uzbekistan dishes, which were good too, of the same contents so many times continuously.
The wines imported from Italy were specially refreshing for us who are used to Western wines and we enjoyed quite a lot of wines as restaurant people recommend earnestly. Since imported things tend to be very expensive in this country, and the wines were a typical case in point. The cost of enjoyment was considerable.

Ministry of Economy of the Republic of Uzbekistan

Their team was represented by the head of economics dept, in stead of initially planned Mr. Turdiyev, the deputy minister. After having welcomed us warmly, they started the session emphasizing how seriously the Republic of Uzbekistan kept developing and providing education to the public. This is because fostering capable people is the single most important strategy to realize economic growth and well being to the public.

Then, the head of economics department started to read his memo in Uzbek to explain what is exhibited on the power point exhibitions on the screen. His colleague kindly interpreted his speech in English. Let me summarize main points of his speech in the follows:

Uzbekistan macro economy has been doing quite well. GDP has been growing for the recent decade in average approx. 8% a year. Inflation rate has been 8 to 9 percent. This growth has been led by balanced development of industries in Uzbekistan. Industry sector has been growing in average 8 to 9 percent annually. Rural areas have also been growing, led particularly by growth of agriculture. Land is cheap and various types of agricultural produce have been produced such as vegetables, and also food processing industry has been creating new values added.

In industry sector, communication technologies have developed remarkably, auto industry developed, computer services have been developing. Also such services as financial and consulting have been developing.

Tax rate has been reduced significantly which helped empower industries. External debt remains about 16 percent of GDP. The government specially emphasizes and promotes diversification of industries. Recently, 70 percent of exports have been finished and semi-finished products. SME(small and medium sized enterprises) occupy a large proportion of Uzbekistan industrial structure, which are developing remarkably. Reflecting these developing, international evaluations and reputations of Uzbekistan economy have been improving markedly.

Foreign investments into Uzbekistan have been increasing. Uzbekistan is endowed with rich natural resources such as Uranium, cupped, silver, gold, natural gas etc.
Agriculture provides variety of fruits and vegetables. Diversification of industries proceeds into such areas as auto, bus manufacturing to computer electronics. Many Uzbek young people study abroad such as UK, Singapore and Korea.

Uzbekistan has good markets both in and outside of the country. Domestic market is composed of 30 million population which is largest in Central Asia. Uzbekistan has FTA with 45 countries including Europe and other areas. Many foreign companies invest into Uzbekistan. We promote currently 876 projects which amount to 41 billion USD in various branches of industrial diversification. For the period of 2015 to 2019, we implement 10 billion USD worth of projects including building highway systems and railway extension of further 960km. We try to reduce government dependence of Uzbek economy step by step.

In the end of current 5 year plan, namely, by 2019, we plan to achieve GDP per capita of 2400 USD, which is 5500 USD in terms of PPP. I asked to tell us what is the current GDP per capita. There was no direct reply to the question. Instead, the department head said that economic policy should aim at improvement of life of people, and also in the end of long-term economic plan targeting to 2030, the government aims at achieving the income level for Uzbekistan population as one of the higher middle class income countries in the world. I followed up and said that I fully agree the mission of economic policy and admire the long-term growth objectives. But what I would like to know GDP per capita for this year or at least last year. There was no answer to this question. This puzzled me and made me think if there were some reasons not to disclose this simple figure.

Mr.Fukuda,Mitsuhide asked, acknowledging the importance of SME in Uzbekistan economy and the economic policy of the country, whether there are any policy measures to help finance SME since in many countries SME are left in disadvantaged position relative to large firms from the viewpoint of financial institutions. His question was not well understood for a while by the officials of Ministry of Economy, but eventually they explained that there are some schemes for the government to assist SME so that they can get financial support more easily than otherwise.

International trade developed remarkably and its structure changed dramatically for the last quarter of century since the independence of Uzbekistan. For this period, export increased 30 times, and its structure has diversified to low value added to high value added products. For example, cotton fiber occupied 50% of exports a quarter of century ago which is only 7 percent recently. In contrast, contribution of chemical, energy, food stuff industries increased remarkably. Uzbekistan currently trades with 165 countries: Asia 31%, EU22%, and CIS countries 44%.
Investments increased remarkably for the recent 15 years, which currently totals 100 billion USD. Among them, 65 billion worth of investments are from foreign countries. The trend of diversification is also obvious in investment structure.

Government has been reducing tax rates sizably for SMEs, income taxes, VAT (value added tax) and social security premiums. This encourages incentives of both businesses and people.

From 2015 to 2020, the government (Ministry of Economy) plans to achieve annual GDP growth rate of 8%. Inflation rate: 6.5 to 4.5%. Industry growth 8.3 to 9.5 %, agriculture 4.9 to 6.0%, and capital investment 9.6 to 9.7%.

To promote diversification of economy and industry, 875 projects are being promoted which amounts to 41 billion USD. New manufacturing products are to be developed and industrial output is planned grow by 1.5 times.

Mr. Kaneko, Hiroyumi asked the following three questions.
(1) Reasons for the high growth of Uzbekistan, and the growth target for 2030.
(2) What indicators of KPI the government thinks important for macro economic management,
(3) What measures Uzbekistan take to stabilize the volatility of the currency.

To his questions, the reps. of the ministry gave the following replies:
(1) On the question of factors behind rapid economic growth, maintaining macro economic stability, promote target oriented policies, provide incentive programs backed by financial support, tax incentives, implementation of project investment with the support of government financed institutions.
(2) On the question of macro economic management indicators, such as GDP, sectoral growth indicators such as gas, chemical, machinery, proportion of domestic parts used for example in auto industry.
(3) On the question of exchange rate management, although the stability of exchange rate is generally important, our priority is to exchange resources to get benefits for the economy and incentives for firms. To pursue such objectives, the central bank controls exchange rates with some policy priorities.

The officials of the Ministry of Economy cordially welcomed us, and kindly gave highly systematic and comprehensive explanations about the recent and future status quo of Uzbekistan economy, and provided objectives in mid-term and long-term economic plans. We were, though, left with an impression that these explanations are well-prepared in advance which are commonly shared throughout the government and not quite gave us clues to understand fully some of critical aspects.
We arrived the center somewhat later than originally expected perhaps because we have spent much time in a lunch restaurant and had a good discussion at the Ministry of Economy. The deputy director Mr. Ildus Kamilov and his staff researchers were waiting for us.

Upon our arrival, Mr. Kamilov started introduction of his institute soon. The institute was established shortly after the independence of the country and expanded its activities in the following years. In 1998, President gave a decree to make this institute a presidential apparatus.

The institute focuses not only economic matters but also social and cultural matters. The institute consists of 56 to 70 officers, of which 15 are researchers. Researchers work with many experts in government officers, consultants and academia of different background. The institute publishes many reports and books for different audiences. The institute is financed by the support of the government, payment from publishers, consultant fees and other sources.

Since the time is limited for this afternoon, I proposed to Mr. Kamilov that instead of spending time to explain about Uzbekistan economy, directly start Q and A dialogue. He kindly agreed to our suggestion. Since we have heard much explanations in various government and government related offices about Uzbekistan economy, sonjuku members have a sort of distilled questions in their minds to understand the reality of Uzbekistan economy. They started ask the following questions.

1. Mr. Kaneko, Hirofumi: Exchange rate.
2. Mr. Koshiba, Taro: 1) Unemployment, 2) Inflation rate.
3. Mr. Fukuda, Mitsuhide: Saving.
4. Mr. Hayashi, Norifumi: Stock market.
5. Mr. Sugimoto, Tetsuya: Isuzu automobiles
7. Mr. Ishii, Hiroaki: Vision 2030, and economic disparity among different social groups
8. Mr. Fukuda, Mitsuhide: Index issue.

Mr. Ildus Kamilov and his staff researchers kindly gave frank answers and responses to each of these questions.

1. On exchange rate. Mr. Kaneko’s question is on how exchange rate or rates are really determined. Their answer was there is no simple determined method to determine the rate. There are pros and cons on the state’s exchange rate interventions. External sales will bring about revenue of foreign currencies, and the stock of foreign exchanges are used to imports. The central bank sometimes intervenes the
exchange market depending on their judgements. Exchange rates are often
determined in accordance with the need of the particular trade.

There exist reasons why some of the members of Shimada sonjuku particularly
were curious and interested in the question of determination of the exchange rate
or exchange rates. This interest was stimulated as we have heard a few times
during the trip that there is a wide disparity between the official exchange rate and
inofficial(it not to say, the black market) exchange rates. For instance, given the
official exchange rate of the sum is one dollar equals 2200 sums, an unofficial
black market rate is one dollar equals 4500 sums.

Up to a decade ago, Chinese currency “Yuan” was divided by the solid
government policy into exchangeable and non-exchangeable Yuan so that
the exchange rate was officially controllable. In Uzbekistan, any sums can be
exchanged to the dollar, but the rate depends upon where and with whom you
exchange.

In Uzbekistan, when you enter the country, you have to declare precisely what
currency and what amount you have. When you leave the country, it is difficult to
change the sums you have to the dollar. So that travellers have to ask within the
country to change sums to the dollar at the bank, hotels or individuals such as
tour guides. Some of them may well change the obtained dollars in the black or
informal market to the sums and could gain capital gain as much as twice.

Given this nontransparent currency market, foreign businesses trying to make
make investment in this country may well have to face huge risks stemming
from the unpredictability of the terms of transactions. This has been the point
of keen interest of some of the active members of the sonjuku who try to promote
their business in this country. Their answer in the following partly clarified this
concern.

2. In the case of external trade of large firms, often somewhat a half of the
transactions is made using the official exchange rate, and the rest will be under
different exchange rates depending on conditions of the transactions. This kind of
practice has been at times viewed problematical in the trade community and some
improvements have been underway.

3. On unemployment: The official unemployment is below zero percent. There are
different methods to measure unemployment rate. Ministry of labor uses their annual
survey for the recent 5 to 7 years. Using the ILO definition and methodology, the
rate would be 4 to 5 percent a year.

According to Uzbekistan government, there are 10 to 12 million labor force.
Of them, 4.8 to 5 million labor force are officially employed in large firms and SMEs. Others are probably self-employed. The rate changes seasonally as well. Depending on definitions, methodology and measurements, there tend to be different estimates.

4. On inflation rate: There are many different estimates on inflation rate depending upon the definitions and measurements. On the basis of comprehensive analysis, they think that the reasonable rate is between 11 to 13 percent. Incidentally, the recent economic growth rate in real terms is 8 percent. Asian Development Bank estimates 7.4 percent. IMF estimates the nominal economic growth rate is 22 %, given real growth rate of 8% and inflation rate of 14%.

5. On saving. They ascertainment if Mr.Fukuda wants to know about household saving, which Mr.Fukuda confirms. Saving figures have not been very clear because most households have not deposit their money at banks. Increasing number of households have tended to deposit in banks in recent decade, where they enjoy rather high returns to their deposits as much as more than 20 percent. However, the depositors are asked by the banks to leave collaterals. Card transactions have not been popular.

6. On stock market: Some 1400 firms are listed on the stock market. Transactions are made using the Sumu. The stock market has developed particularly during the recent 10 to 15 years. Uzbekistan has been in the process of transforming from the dominance of state owned firms to the market led more by joint stock companies. 10 years ago, there were 5000 to 6000 joint stock companies listed in the market. The requirements for JSC to satisfy have been reformed more strictly since then and the number of joint stock companies reduced rapidly down to the current level of approx. 1400.

Stock transactions amount to the level of 10 trillion Sumus. To modernize the stock market, foreign consulting firms have been invited to promote necessary reforms. They investigated transaction practices of the companies. There are not very clear rules for one to one transactions. In many cases, the rate is determined case by case.

Since they gave us frank and open responses and comments which we all enjoyed to learn, the time went quickly and we were left with only a few minutes to stay in this institute to visit the next place where the president and staff researchers of Banking and Finance Academy have been waiting for us for sometime, I proposed to stop discussion at this stage, take a picture together and leave the institute. However, Mr. Kamilov was so kind to say that since sonjuku members asked questions, he would answer all of them even though it will have to be quickly. And he kindly gave quick answers amazingly well to the rest of questions such as Isuzu auto issue, power
stations, social disparity etc.

The frank and open discussion at this institute was excellent and highly insightful in the sense that the director and researchers gave us important clues to understand how Uzbekistan economy is actually working.

Banking and Finance Academy:

At Banking and Finance Academy, Dr. Adkham Bekmuradov, the rector and his fellow professors and researchers were kindly waiting for us on the door way to the campus for sometime. They cordially and warmly received us which was heart felt. In the broad conference room which was well prepared, Mr. Bekmuradov started discussion by introducing the Academy.

The Academy was planned in 1991 by president Isram Karimov and started activities in 1996. The academy aims at educating to produce leaders in the area of international finance. It has 4 to 5 faculties such as banking, finance, project finance, taxation etc. The academy educate young elites to work in the future in such places as the central bank, commercial banks, foreign investment projects in Uzbekistan. The academy teaches about 400 students every year with 50 or so faculty members.

Some of the students join the academy leaving their jobs in the government ministries and companies to study for two years. After completion of the program of this academy, most of them are promoted to higher positions. The academy aims at not only educating specialists but also giving necessary knowledge and training to become managers in the areas of finance, banking, taxation, and investment projects.

During the academy program, many students spend two to four weeks abroad such as Japan, Switzerland, UK etc. Also some of them spend some period working at Ministry of Finance, Policy Research Institute. Mr. Aso Taro, Japan's vice prime minister and minister of finance, was granted an honorary degree of this Academy. In fact, 10 students will spend some period in the research institute of Japan’s ministry of finance from July 24, this year.

Among faculty members who are sitting together with us this afternoon , many have studied or spent time in foreign countries such as Japan, European countries such as Belgium and Germany, China and Taiwan etc.

After this round of introduction of by the Academy, I explained the objectives of our visit to Uzbekistan by Shimada sonjuku and introduced briefly each of our members, and suggested that we may start asking questions so that Uzbekistan experts could give us correct answers based on deeper analysis.
Mr. Fukuda, Mitsuhide asked a question, based on his observations of rapidly growing Asian countries where construction of buildings and consumption of people are booming, as to why such economic activities are not visible in Uzbekistan, giving some skepticism as to if 8 percent real growth of the economy is indeed real.

Rector Bekumuradov quickly and forcefully responded that such viable economic activities as investments and constructions are not really taking place in Tashkent. Most of such activities are carried out in regions outside or far away from Tashkent area such as building new automobile plants, textile company, and electronic machinery companies, and construction of railways etc.

We have visited only briefly such cities as Samarkand and Bukhara, and watched the sceneries on the way between Tashkent, Samarkand and Bukhara, but we were not really able to see such cites of plant and rail way constructions. However, given the relative small size of Uzbekistan economy around only 60 billion USD, construction of railways for some good length alone would be large enough to produce a few percent increase of GDP. Therefore, given some major construction projects such as roads, railways, power plant, and other infrastructures on going simultaneously in recent decade, 8 percent real growth may well be real.

Mr. Kaneko, Hirofumi asked a question as to how exchange rates are determined in Uzbekistan, a question somewhat deeper than what he asked in the research institute we visited earlier. One of the Uzbekistan professors explained clearly that Uzbekistan currently adopts a regime of “managed floating.” Experts on exchange rate management carefully take into account various relevant factors to determine exchange rate which is disclosed Tuesday every week by the central bank.

Mr. Koshiba, Taro asked a question relating to the question of exchange rate regime as to whether Uzbekistan is coupled or de-coupled with the major economic powers in the world in the sense of being affected by major changes in the exchange rate alignment in such cases of global financial crises of 2008 to 2009. An expert on Uzbek side replied that Uzbekistan was not so much affected by the global financial crisis although exports have been affected somewhat.

Rector Bekumuradov added that although the magnitude of impacts of global financial crisis was not so large in Uzbekistan, the experience of global financial crisis certainly gave important lessons to the country. That is, it is important to develop an economic structure not too much dependent on foreign countries on some of the critical items such as investment materials. Policy makers became more aware of the importance of building “robust” economic structure against fluctuations of external conditions by means of developing domestic market on investment and consumption. In this sense, the role of the central bank will become more important in such a way to facilitate domestic investments in critical industries. The central bank could contribute to such
policy direction by means of managing its financial policy to lead to restrain inflation so that domestic economic conditions could be somewhat more conducive for investment, the effect, in my view, would be very marginal, if any.

Mr. Hayashi, Norifumi, asked a question as to what is the current accounting system of Uzbekistan, and if there are any policy movements to change or renovate it. An Uzbek experts replied that Uzbekistan is in the process of modifying or adopting the new international accounting system, “International Financial Reporting System.”

The exchange of views so far has been extremely enlightening and fruitful. I offered Uzbek people an opportunity to ask me questions or requests if any. Some Uzbek experts asked me if I could give them explanations of Abenomics which is very well known in Uzbekistan if it is only by name. I gladly accepted their request.

I first explained the contents, achievements and accompanying risks of the three arrows of Abenomics, and reviewed macro economic performance in terms of economic growth, price changes, wage changes, changes in international trade and fiscal balance. All in all, with huge potential risks, Abenomics has certainly gave Japanese economy positive impacts as envisaged by remarkable increases of profits of particularly export oriented large firms and huge increases in stock prices, and particularly, this year, macro economic indicators seem to be improving significantly although the pace of improvement is rather modest.

Having analyzed the performance of Abenomics this way, I raised the question as to if the Japanese economy will be able to maintain its long-term sustainability in the ongoing and forthcoming process of historically unprecedented aging and shrinking of population. Given the current aging of 25 percent of people over age of 65 to total population, the average burden on the public of taxes and social security premiums is 40%. In 2050, given the expected aging ratio of 40%, the public burden of taxes and social security will be in average around 73% unless tax and social security systems would be changed drastically. Besides, many economic experts give pessimistic predictions of long term growth potentials of Japanese economy under the long term demographic prediction of continuous decline of population by 0.7 to 1.0% annually.

Having said this, I gave my own proposal to make Japanese economy grow remarkably even in spite of long term reduction of population by several radical reforms including massive introduction of capable foreign people, dramatic change of energy regime to recreational energy. I concluded my comments by saying that the most important lesson for the current Japanese is to learn from Japan 70 years ago. 70 years ago, Japan was fatally devastated by defeat of the war. Japan lost all the assets in the world, all cities were burnt down by bombing and most importantly 3.1 million people including civil and military were killed. Yet, only after quarter of a century, Japan
resurrected as a huge phenix as the number two economy in the world only next to the United States.

Why and how Japan did it? The most important was the fact that Japan denied and erased completely the system, rules and thoughts of Japan up to 70 years ago. What is needed for the current Japanese is to deny completely the system, rules and thoughts of the postwar Japan which was successful for a few decades but in recent decades suppressed and crushed great potentials and possibilities of the Japanese. By reforming Japan fundamentally now in this way, Japan can surely open doors for its bright future.

My speech took sometime, but it was well received by Uzbekistan friends.

○ Dinner at Arisu Sarang:

After the meeting at the Academy, we all went to restaurant Arisu Sarang which provides basically Korean dishes. This was also refreshing. I personally was, however, completely exhausted because this whole day was not only long and hot, I managed to run all the meetings, took care of the sonjuku members and took precise notes of every statement and conversation at the meetings for the report which I am writing now.

5. Day Five (July 21, Tuesday)

○ The Chamber of Commerce and Industry of the Republic of Uzbekistan

In the morning of Tuesday, we visited the Chamber of Commerce and Industry. Officials of the chamber and representatives of major industry associations were already waiting for us. The program was well planned. After the introductory remark by Ms Mazira Dadakhanova, Acting deputy chairperson of of external affairs, Chamber of Commerce and Industry of Uzbekistan, who is not the originally planned chairman of the chamber but managed the whole session marvelously with fluent English.

She is an excellent leader in terms of giving us a well organized picture of what is the status quo of Uzbekistan industries, government and industry initiatives to develop industrial activities in addition to the importance and further possibilities of Japan-Uzbekistan cooperation, and guiding and managing the flow of the session and provides sensible and persuasive answers to questions from Japanese participants.

Prior to the departure of our team from Japan, Uzbekistan side suggested to us
that in this meeting with the Chamber of Commerce and Industry, both Uzbekistan and Japanese side each prepares several speeches such as key notes and on specific topics. Since I thought that it would take much time and will leave little time for discussion, I suggested in return that Uzbekistan side gives us whatever prepared speeches which they think useful for us to understand Uzbekistan economy and industry. Japan side will not give any prepared speech, but will ask frank questions to understand the reality of Uzbekistan economy and industry. And this meeting is managed following this suggestion.

Ms.Dadakhanova began her opening address by emphasizing the importance of Japan-Uzbekistan cooperation for the purpose of further development of Uzbekistan. She emphasized high appreciation of Japan’s support and cooperation to develop Uzbekistan industries in recent years in such areas as technical assistance, education and training of industrial human resources, participation to important projects on industrial development and enrichment of infra-structures.

She specifically referred to valuables cooperation and contributions by JAICA, JETRO, Sumitomo group, Mitsui group, Yazaki Industries, etc. in terms of helping Uzbekistan industries to develop exportability of their products, improving productivity and quality of products by means of industrial diagnosis and "kaizen" movement, and developing and proliferating ICT to promote Information industry and society. She also emphasized Uzbekistan’s effort of transforming its economy from agricultural based to the one led more by industrial sector.

She introduced several planned speakers on Uzbekistan team: Mr. Namigae from JAICA, Japan, “kaizen” consultant, Deputy director from Ministry of Foreign Economic Relations, Investments and Trade, an official from Ministry of Education, Industry representatives from several major industrial associations such as chemical industry, gas sector, electrical industry, material industries.

She also mentioned that she was well impressed by Japanese delegation who represent young entrepreneurs of venture businesses and manage SMEs. She added that SME constitute a large and important part of Uzbekistan industrial structure. In Uzbekistan, there exist “start up clubs”by which to encourage and assist start up of new ventures.

After listening to Ms. Dadakhanova ‘s opening remark and her introduction of Uzbekistan speakers, I gave a speech to thank their good will to share with us valuable information and then introduced briefly each of the members of Shimada sonjuku. We then listened to presentations of Uzbekisatn speakers. They prepared powerpoint panels and gave good explanations of the panels by English.
First, deputy director of the Ministry of Foreign Economic Relations, Investments and Trade, Executive director of of Uzbekmysanoat, Mr. L. Kurudanov, gave a briefing on investment environment particularly with respect to macro economic performance of Uzbekistan economy. According to him, Uzbekistan economy has been enjoying relatively high economic growth of 8 percent in real terms a year stably during the recent decade, and also good trade balance yielding net trade surplus.

Second, a representative from Chemical industry gave a briefing. In chemical industry, state owned companies play important roles. Chemical industry produces products of 5 million tons worth 1 billion USD a year. The industry produces a great variety of products ranging from fertilizers to other chemical materials. International partners play also highly important roles. They work together to promote many important projects. Mitsubishi bank, JABIC and China bank finance projects costing more than 1 billion USD. Currently, Uzbekistan plans to launch projects including 5 major ones which will altogether cost more than 5 billion USD. Uzbekistan is preparing to promote five major private corporations in this industry.

Third, a representative from gas sector gave a briefing. He works for Uzbekistan Oil and Gas corporation. 46% of oil field is independent. There still is a large reserve. In the period of 2015 to 2019, the sector plans to launch 54 new projects of gas and chemical production. Much of produced gas is transported to European countries, Russia and China. We are attempting to develop hydro-carbon processing and manufacturing industries in addition to oil refining. Marubeni, Sumitomo groups and JAVIC help to promote many industrial projects. Japanese companies provide valuable cooperation in technology assistance and financing. Uzbekistan gas and chemical industries, mechanical engineering and gas compression industries owe much to their cooperation.

Fourth, a representative from electrical products industry gave a briefing. The association has about 40 member companies. Industry comprises four major product clusters such as cables and wires, electronic products and services, consumer electronics, computers and related products. Industries produce also many variety of special electronic devices. Central Asia provides a large market for Uzbekistan electronic products so that there exists ample export opportunities.

Fifth, a representative from material industry gave a briefing. Uzbekistan material industries comprise many joint stock companies. The industries plan to promote 11 projects which amount to 227 million USD for the period from 2015 to 2019. We are promoting eagerly privatization of industry. Some Japanese companies are cooperating with us, which we appreciate very much.

Mr. Sengoku, Yasukazu, asked a question concerning the quality of communication devices. He underlies importance of product quality of communication devices because
the quality determines critically the nature of communication services, and asked how the product quality in communication devices is improved and maintained.

Ms. Dadakhanova answered saying that Uzbekistan industries introduced rigorously ISO standards. Thanks to this movement, product quality has been improving appreciably. In particular, Ministry of IT encourages 1000 companies to improve quality of products and services. The ministry also encourages start up of excellent ventures as well as help develop top 5 ICT companies.

Mr. Suzuki, Shiro asked questions regarding to the situation of steel pipe production in Uzbekistan, the area which his company is specialized, and how steel products are recycled.

Ms. Dadakhanova responded to the question of steel pipes saying that steel pipe production is being promoted particularly in special industrial zones making much use of joint venture companies with foreign investors and Uzbekistan partners. Steel products produced in Uzbekistan enjoy good competitiveness as exemplified by exports to European and CIS countries.

Mr. Tatsuno, Mitsuhiko asked a question about transportation of industrial products particularly of big and heavy construction materials particularly in view of constraints of double locked nature of the land of Uzbekistan.

Ms. Dadakhanova responded that well developed highway system which extends into neighboring countries are utilized for transporting heavy stuff, and for relatively light and high value added products as electronic precision goods air transportation is heavily and effectively utilized. Navoy international airport, for example, serves the purpose.

Mr. Osano, Sho asked a question as to how border control is carried out in Uzbekistan saying that during the four day trip he saw only one car with foreign identity number. His question is whether the border control is too strict so that it is practically difficult for foreign investors visit the country by cars.

Mr. Dadakhanova answered that the border control is conducted at the border for security reasons just like many other countries. Entry of foreign investors by cars is not at all restricted. Indeed, Uzbekistan have agreements with 45 countries for free mutual entry of people.

Ms. Akiyama, Yuki asked a question as if Uzbekistan electronics industries produce too many kinds of products in spite of the fact that the market size is only 30 million
people, and not all of them have good purchasing power. Question connotes that Uzbekistan may well expand the show room of products too widely for the market size.

Ms. Dadakhanova answered that Uzbekistan government has a strong policy to promote industrial diversification and Uzbekistan industries work hard to accomplish that policy objective, and admirably they are achieving the goal successfully in the sense that many of the electronic products are exported to various countries, for example, IC chips and wires are sold well in CIS countries and Russia partly reflecting international division of labor.

Mr. Koshiya, Taro asked two questions: one on determination of exchange rate, and the other is on the long-term growth objective as of 2030.

Ms. Dadakhanova replied that exchange rate is determined by managed floating, and naturally exchange rate is managed often reflecting priority of the country. On the long-term growth objective, she noted that the long-term growth should be achieved step by step and that process is important.

When the discussion started, I wished that more than 10 of the members of sonjuku give questions and follow them up by discussion. By listening of Q and A of 6 members, it already came close to noon. I was advised by our Uzbekistan tour guide to hopefully finish this session by twelve O’clock rather than the originally planned time of 12:30 for reasons to keep up with the rest of the program.

Therefore I cordially thanked warm reception of Uzbekistan friends and their kindly sharing this precious opportunity for us to learn about Uzbekistan economy by giving us well prepared explanations and sharp and persuasive answers to our questions and left the hall.

○ Lunch at Sim Sim

We enjoyed a typical Uzbekistan dishes in a Uzbekistan restaurant.

○ The University of World Economy and Diplomacy

Our final destination in Uzbekistan is the University of World Economy and Diplomacy. Sine the preceding lunch took time, we arrived at the university somewhat late. President Abdumalik Djanov and his staff professors have been waiting for us and cordially welcomed our arrive. President Djanov said that since the campus was in the summer vacation period, only a few students were able to join the meeting.
President Djumanov started his discussion by first introducing the Universiy and the staff. The university was established in 1992 shortly after the declaration of independent of the country. The university aims at educating and training young people in such fields as international political science, law and economic relations. This is the top level university in Uzbekistan. 1300 students are studying in the university including undergrad. and grad. levels.

The university plays significant role in fostering young professional international experts. They are expected to work not only in government and international organizations but also business and NGOs. Undergraduate level has a 5 year program and students have to be trained at least two languages out of Russian, English, French, German, Italian, Spanish, Chinese, Korean and Japanese. With relation to Japan, some students stay and study in Nagoya, Waseda and Tsukuba Universities.

Having listened introduction of the president, I took turn to explain the objectives of Shimada-sonjuku visit to Uzbekistan, and then introduced each of our members briefly to them.

President Djumanov took initiative to explain briefly, the history, the current situation of Uzbekistan including economy and politics. Usbekistan has gone through a long history of associating with various neiboring great countries and leaders such as Alexander the Great in the ancient age, Peruvian influence, great country of Timur dynasty, Mongolian influence, India and Russian control. With these influences and mixing of different nations and cultures, Uzbekistan is a highly diverse country in terms of composition of the population and cultures.

Currently, Uzbekistan has more than 30 million population, diverse and unique culture, rich endowment of minerals, and massive production of cotton. The country has been growing rapidly. For the last decade annual average growth rate has been 8 percent in real terms. The country is politically quite stable under the leadership of president Islamu Kalimov who has been supported by 92 percent of voters in the recent election of 2015. Having introduced Uzbekistan briefly as above, president Djumanov solicited Japanese participants to ask questions.

Since there were no questions, he posed a question to Japanese audience relating to “Silk Road” issue. He asked what would you think and act as businessman facing the development of new silk road promoted under the strong initiative of China.

I supplemented his question by giving some factual explanations of the development of this 21st century of Silk Road on businesses, global and local economy as well as geopolitics.
Since both the Japanese and Uzbekistan participants did not raise questions or give comments to our solicitation, I spent sometime to explain Japanese contemporary history in Asian and global context partly to give insights to Uzbekistan participants to understand Japan, and partly to make the discussion in this room more balanced between the two countries.

I briefly explained Japan’s experience of industrialization and economic development since the Meiji restoration and explained Japan’s experience of wars against China, Russia, China and the United States until the mid-20th century. And explained the postwar history in which Japan changed completely from war oriented nation to peace seeking nation. I highlighted particularly that the experience of Imperial era which led to the complete defeat in the war in 1945 was the basis to create an entirely different Japan since then which seeks peace.

Having both President Djumanov and myself explained the histories of the two countries, President Djumanov solicited participants to ask questions.

Mr. Ishii, Hiroaki, asked a question as to whether and what kind of changes took place in Uzbekistan in education of history, before and after the independence, and if there were any attempts as censorship of textbooks.

President Djumanov replied that there were considerable change in teaching of history before and after the independence. Before the independence, nothing more than justifying and supporting communist regime was taught, but after the independence many aspects of long and diverse history of Uzbekistan has been being taught. On the question of censorship of textbook, in stead to answering directly, he noted that history is always a sensitive subject to the nation and the country. There is nothing like an objective history. History is highly subjective which is interpreted differently depending upon powers and times.

Following this discussion I added that there are many types of political regime ranging from democracy to totalitarianism or dictatorship, and also communism and capitalism as such. Japan currently claims to share the same values of democracy with the United States. To scrutinize regimes of many countries, there are not too many countries in the world which practice and enjoy the so-called Western model of democracy and market economy. What kind of regime works and suitable for a nation depends on many factors such as the level of economic development, maturity of citizens, and influences of major powers etc. I suggested to the Uzbekistan attendants that the important mission to elitist leaders which the University of World Economy and Diplomacy attempts to foster should be to find the most suitable political and economic regime to make people happy and satisfied for the given multiple conditions.
Having enjoyed exchanges of views as above, we decided to close this session and left the university thanking to President Djumanov and his colleagues and students for their warm reception and providing us with open atmosphere for us to exchange views frankly.