

WORKING GROUP 6 - MINUTES

Event: Minutes of the FIC Working Group Meeting “Priority Sectors”

Date: Thursday, Apr.7, 2023

Duration: 16.30-18.00

Moderated / Chaired by: Golib Kholjigitov, Head of FICS

Present from FIC: Golib K., Avazbek M., Gamlet K., Nargiza M., Gulnoza U.

Present from stakeholder and investors: EBRD - Kh.Narmuratov, MIIT – Tengiz Asanov, Coca cola, BAT, Veolia, AUCC, CNH Industrial, Calik, Suez, Zeppelin, Silverleaf, Mitsubishi corporation, White and Case.

Venue: MIIT Office, 1st floor, Tashkent

Next meeting: Apr.07 ,2023, Time: 16.30; Venue – MIIT.

Representative of EBRD and MIIT – Mr. Kh.Narmuratov, Mr. Tengiz Asanov gave opening remarks.

DISCUSSION TOPICS:

1. Golib Kholjigitov, FIC, Head of Secretariat - reported on the progress of the Council and Secretariat in advancing the priority areas of Finance, Privatization, Digitization, Green Economy, Natural Resources, Agriculture and Investors across borders. The Secretariat has established six working groups and three subgroups to address these areas. The Secretariat’s action plan has been approved and the Tashkent International Investments Forum is scheduled for April. The Secretariat has also received 85 issues and recommendations from various stakeholders and conducted one-to-one interviews with 30 large foreign companies in 10 sectors. Additionally, the Secretariat has initiated six topical areas for further research and development, such as Laws on Investments and Free Economic Zones, Islamic finance, Single window platform, Tashkent International Financial Center and Tax administration. The Secretariat has also improved its communication and outreach by publishing a bi-weekly bulletin in a new format, launching a quarterly investor sentiment survey and a quarterly regional investor survey, and developing new Council’s website. Working group leads have been identified.

2. Kh.Narmuratov, EBRD – emphasized that EBRD supports Foreign investors’ councils in 11 countries. He suggested to address Silverleaf’s issue separately, conduct a thorough analysis and report to MIIT for possible changes. He also announced that EBRD could co-fund some ad-hoc assignments with investors.

3. Dan Patterson, Silverleaf – explained that agriculture employs 27% of the workforce and contributes 28% of the GDP in Uzbekistan. He noted that the current world price for cotton is 83.5\$ per pound, or 1841.72\$ per ton, which is equivalent to 20,903,554 sums/ton. However, the Government of Uzbekistan has set the price at 29.8 million soum, resulting in losses of up to 35.5% for each ton for the clusters.

He added that this price fixing makes Uzbekistan’s cotton yarn the most expensive in the world, compared to China (2.5\$ per kg), Turkey (2.7\$ per kg) and Uzbekistan (3.2\$ per kg). He warned that this would reduce Uzbekistan’s competitiveness in the short term and drive away investments and production facilities in the medium and long term. He said that he had prepared

a separate proposal and would submit it to the FIC Secretariat, and urged for an immediate resolution of the situation.

The company is using FedEx digital supply chain technology.

4. Chahine's questions to Dan. During the discussion between Chahine and Dan, the former inquired about the similarity of cotton prices in Uzbekistan to other countries. Additionally, Chahine asked about the potential negative impact of implementing international environmental standards on the cost of cotton. Dan acknowledged that while there may be some impact, it would not be as significant as the impact on the price of raw materials. When asked about the quality of the land, Dan stated that they utilize beneficial insects and do not promote the excessive use of chemicals.

5. Elena Son, AUCC – inquired on what will be the next step to resolve Silverleaf's question. AUCC was informed that the Secretariat and MIIT will prepare analytical documents and submit them to Presidents Administration. AUCC and White&Case ready to provide our expertise to FIC on the issues discussed today. We propose to consider discussing the issue of rising prices for transportation and logistics in Uzbekistan.

6. Zeppelin – the mining sector holds significant importance in Uzbekistan, but the government's decision to privatize only 2% shares of Almalyk and Navoi mining companies through IPO may limit the interest of strategic investors in this sector.

Additionally, there is a severe lack of access to information related to the industry. The government should re-evaluate the current guarantees for land plot protection, as investors in the mining sector do not have adequate protection. As it stands, any government company can seize land plots without providing any compensation.

7. Coca cola – production of beverages in Uzbekistan is still in its early stages of development and there are certain issues related to market development that need to be addressed. Intellectual property rights, which is a sensitive matter for global companies like Starbucks, must also be considered. Despite these challenges, Uzbekistan is a young and promising market that is attractive to MNCs. Coca-Cola is ready to provide its global expertise to help improve the investment climate in Uzbekistan.

8. CNH – It has been highlighted that European credit organizations are slowing down the new loan origination, probably related to higher cotton prices in the country. This is impacting the company, as the demand for our machinery will gradually decrease.

9. White & Case – we ready to provide our expertise to FIC on the issues discussed today.

RESOLUTION / ACTION PLAN

Topics	Resolution /Proposal	Responsible	Timeline / Status
1. Electing WG lead	- Dan Patterson was appointed as WG lead	-	-
2. Government's price fixation	- to revise the prices of cotton yarn and make them flexible by linking them to the global prices	Mineconomfin Minagro MIIT	2023
3. Transportation	- to consider discussing the issue of rising prices for transportation and logistics in Uzbekistan	MIIT Mintrans	2023
4. Privatization in mining	- to privatize more than 2% shares of Almalyk and Navoi mining companies through IPO may in order to lure strategic investors in this sector.	MIIT SAMA Cabmin	2023
5. Access to information	- to provide transparency and access to information related to the mining industry	Minnatresource MIIT	2023
6. Land	- the re-evaluate the current guarantees system for land plot protection, as investors in the mining sector do not have adequate protection and compensation	Minnatresource MIIT	2023
7. IP	- to improve IP enforcement for global brands which is a sensitive matter for global companies	Minjustice MIIT	2023