UZBEKISTAN

TRADE SUMMARY

U.S. goods exports in 2013 were $321 million, up 12.8 percent from the previous year. Corresponding U.S. imports from Uzbekistan were $27 million, up 2.5 percent. The U.S. goods trade surplus with Uzbekistan was $294 million in 2013, up $36 billion from 2012. Uzbekistan is currently the 115th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Uzbekistan was $71 million in 2012 (latest data available), up from $63 million in 2011.

Membership in the World Trade Organization

Uzbekistan is not yet a member of the WTO. Uzbekistan applied for membership in 1994 and participated in three Working Party meetings, but its accession process has been inactive since October 2005. Since 2005, however, Uzbekistan has continued to update its legislative framework to be consistent with WTO requirements. During 2013, Uzbekistan requested the assistance from the WTO Secretariat to prepare to resume its WTO accession negotiations. This would require revised and updated documentation.

IMPORT POLICIES

Tariffs

Uzbekistan maintains relatively high import tariffs. Customs duties for imported goods are as high as 200 percent, but the average rate is approximately 30 percent. As of 2009, no customs duties were applied to imported live animals, milk and cream, wheat, X-ray films, and computer hardware; import duties ranging from 10 percent to 30 percent were applied to clothing, furniture, metals, foodstuffs; and 50 percent duties were applied to luxury consumer goods such as cigarettes and cars. The highest customs duty is levied on imported ice cream products.

Customs and Border Requirements

Border and customs restrictions are among the most serious challenges to doing business in Uzbekistan. Bureaucratic requirements still remain far more onerous than the global norm. According to the World Bank, fourteen documents are required for the importation of goods by the various government ministries, customs authorities, container terminal authorities, health and technical control agencies, and banks involved in import. The average cost per container to import is $5,325.

In 2013, exporters to Uzbekistan faced burdensome new documentation requirements with respect to customs valuation. New import measures were implemented that required all imports to be accompanied by an official export customs declaration for the purposes of customs valuation. Such a document is not issued for exports from the United States, nor do many other countries issue it to their exporters. Although the Uzbek Council of Ministers’ passed a resolution on this issue allowing for use of different types of documentation to verify value, No. 139 of May 22, 2013, companies are still periodically asked to provide export declarations. Companies report that if they do not present the documentation, they are assessed an automatic surcharge that assumes a higher value of the good than the value that is declared, resulting in higher duties.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Uzbekistan has been listed on the USTR annual Special 301 Watch List since 2000 due to persistent deficiencies in its intellectual property rights (IPR) regime. Uzbekistan has not joined the Convention for the Protection of Producers Against Unauthorized Duplication of Their Phonograms (Geneva Phonograms Convention) or modernized its copyright law for the digital age. Industry has raised concerns that many government agencies are not using licensed software. Uzbekistan needs to increase enforcement in areas such as providing enforcement officials, including customs officials, with *ex officio* authority to initiate enforcement actions and investigations.

A major positive change in IPR protection in 2013 was the passage of amendments to the 2006 IPR law which withdrew Uzbekistan's reservation to Article 18 of the Berne Convention for the Protection of Literary and Artistic Works. That Article is related to the protection of works created before 2005. In addition, several years ago, the government of Uzbekistan created the Uzbek Agency for Intellectual Property which centralizes responsibility for IPR issues.

SERVICES BARRIERS

Banking: The private sector has access to only a limited variety of credit instruments, due to a combination of burdensome regulations and underdevelopment of the credit market. Access to foreign banks is limited. Local businesses generally may not use foreign financial institutions without going through a local bank. A special government decree is required for a local business to receive direct financing from a foreign financial institution. Commercial banks are permitted to use credit lines from international financial institutions to finance small and medium businesses, but this is subject to limitations such as requirements that the credit lines be covered by government or other guarantees. In addition, these guarantees may be subject to quotas. In late 2012, several private banks lost their licenses to conduct transactions in foreign currency.

Telecommunications: State-owned firm Uztelecom dominates the market for the provision of wireline services. The government of Uzbekistan has previously announced efforts to privatize Uztelecom but has not followed through. The procedures for obtaining permission to operate in Uzbekistan (*e.g.*, licensing, frequency) are extremely complicated.

INVESTMENT BARRIERS

Foreign investment is limited in certain sectors. Foreign ownership and control are prohibited in the airline, railway, power generation, and other sectors deemed to be related to national security. Restrictions also apply to media, banking, insurance and tourism. Foreign investment in media enterprises is limited to thirty percent. In banking, foreign investors may operate only as joint venture partners with Uzbek firms, and banks with foreign participation face fixed charter funding requirements (approximately $13.5 million for commercial banks, $6.8 million for private banks), while the required size of the charter funds for Uzbek owned banks is set on a case-by-case basis. In the tourism sector, foreign ownership of a firm cannot exceed 49 percent.

Currency Conversion Policies

The government of Uzbekistan's rules, procedures, and informal practices regarding currency conversion include surrender requirements which are often cited by the business community as the single biggest business climate impediment in Uzbekistan and the most significant factor limiting their business operations. Foreign and domestic traders and investors, private companies, and companies with joint ventures with the government of Uzbekistan have raised concerns about their inability to access foreign currency in a timely manner due to policies on currency conversion. There are significant delays in obtaining foreign currency for import and export transactions and for the repatriation of profits from investments. Based on company reports, the delays for receiving foreign currency extend well beyond a year in many cases; such delays seem to have increased in 2013.

Under Uzbek law, 50 percent of foreign currency earned from exports must be exchanged for local currency through authorized banks at the official exchange rate and proceeds from these exchanges are earmarked to satisfy currency conversion requests. Unfortunately, the official rate is approximately 21 percent less than the black market rate and 34 percent less than the commodities exchange rate, so most local companies endeavor to keep their hard currency revenues in foreign banks and therefore out of the pool available for conversion requests. The law theoretically guarantees foreign investors' and traders' ability transfer of funds in foreign currency to and from Uzbekistan without any limitations, provided that they have paid taxes and other obligatory payments. In practice, however, all legal entities must obtain permission from the Central Bank to access foreign currency, they must spend significant time navigating the bureaucracy, and their money is held in a non-interest-bearing custodial account while the decision is pending. The majority of foreign investors, regardless of nationality, report frequent difficulty obtaining sufficient foreign currency for operational requirements and to repatriate profits. The government reportedly issues banks confidential instructions regarding which orders are to be filled. The government of Uzbekistan has expressed its interest in improving these procedures so that conversion can happen more quickly.

Expropriation

The government has authority to seize foreign investor assets for violation of legislation, breach of contract, failure to complete investment commitments, and for reasons such as revaluation of assets and site development programs. Although the government is obligated to make fair market compensation for legally seized property, it has offered less than market value in several recent cases with foreign and local businesses, and with individuals. Compensation to foreign partners is required to be made in a transferrable currency but in most cases is made in local currency.

Bilateral Investment Treaty

The U.S. negotiated and concluded a bilateral investment treaty (BIT) with Uzbekistan in 1994; the Senate consented to ratification of the treaty in 2000 with the explicit understanding that the United States would not exchange instruments of ratification until Uzbekistan was in full compliance with the terms of the BIT, particularly regarding currency convertibility standards. On several occasions, Uzbekistan has imposed foreign exchange controls that violate the requirements in the BIT on transfers. As a result, the United States and Uzbekistan have not exchanged instruments of ratification.