UZBEKISTAN

TRADE SUMMARY

U.S. goods exports in 2014 were $213 million, down 40 percent from the previous year. Corresponding U.S. imports from Uzbekistan were $14 million, down 47 percent. The U.S. goods trade surplus with Uzbekistan was $199 million in 2014, down $131 million from 2013. Uzbekistan is currently the 132nd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Uzbekistan was $74 million in 2013 (latest data available), up from $71 million in 2012.

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. However, Uzbekistan has continued to update its legislative framework since 2005 in an effort to reflect WTO requirements. These updates would require revised and updated documentation to be submitted in the accession process.

SANITARY AND PHYTOSANITARY BARRIERS

Sanitary and Phytosanitary Barriers

Currently, Uzbekistan has no laws or regulations governing the approval, production, or importation of plant products derived from agricultural biotech, including processed foods, animal feed or seed. According to the Ministry of Foreign Economic Relations, Investment, and Trade (MFERIT) and the State Committee for Protection of Nature (the main governmental organizations responsible for biotech issues), a draft decree dealing with the production and trade of biotech agricultural products has been under development over the past few years. However, the draft decree is still under consideration by a number of different ministries and by the special parliament committee. Based on observations of official and independent experts, the government is not expected to approve the decree in the near future.

As for import requirements for animal products like meat and dairy, Uzbekistan requires veterinary/sanitary certificates. Uzbekistan has adopted unified CIS veterinary/sanitary certificates, which prohibit importation of biotech products. This includes meat products produced from animals that consumer biotech feed.

IMPORT POLICIES

Import Substitution Industrialization (ISI) has been a cornerstone of economic policy for the government of Uzbekistan since the country gained independence. This policy involves funneling of investments and resources to sectors pre-selected by the government with the goal of developing domestic industries. In implementing ISI, the government of Uzbekistan has adopted a number of measures such as restrictions on currency conversion, restrictive import controls, and excessively high import duties and taxes. These barriers will likely not change in the near term.

Tariffs

Uzbekistan maintains relatively high import tariffs. Customs duties for imported goods are as high as 200 percent, and the average rate is approximately 30 percent. In addition to high import duties, Uzbekistan applies high excise taxes on various imports to protect local producers. For example, the average excise tax rate for imported food products is 70 percent, ranging from 10 percent for potatoes to 200 percent for ice cream. The excise tax rate for new cars is about $3 per cubic centimeter of engine displacement, while it averages 50 percent for furniture, 40 percent to 60 percent for electronics, and 140 percent for jewelry.

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, 13 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 importation. After documentation handling, customs clearance, port charges, and inland transportation, the average cost to import one container is $6,452.

In 2013, Uzbekistan implemented new import measures requiring for customs valuation that all imports be accompanied by an official export customs declaration. Such a declaration 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' subsequently passed a resolution allowing for use of different types of documentation to verify value (No. 139 of May 22, 2013), companies are still periodically asked to provide an official export customs declaration. Companies report that if they do not present this document, they are assessed an automatic surcharge that assumes a higher value of the good than the value declared, resulting in higher duties.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Uzbekistan has been listed on the USTR annual Special 301 Watch List since 2000. The Uzbek Agency for Intellectual Property maintains centralized authority over IPR issues. Uzbekistan has not joined the Convention for the Protection of Producers Against Unauthorized Duplication of Their Phonograms (Geneva Phonograms Convention) or WIPO Copyright Treaty. Stakeholders have raised concerns that many government agencies are not using licensed software. The U.S. Government has pressed Uzbekistan to increase enforcement in areas such as providing enforcement officials, including customs officials, with *ex officio* authority to initiate enforcement actions and investigations. The U.S. Government is pleased that Uzbekistan has withdrawn its reservation to Article 18 of the Berne Convention for the Protection of Literary and Artistic Works and that it entered into force on October 10, 2014.

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. Absent a special government decree, local businesses generally may not use foreign financial institutions without first going through a local bank. Commercial banks are permitted to use credit lines from international financial institutions to finance small and medium businesses, subject to requirements that the credit lines be covered by government or other guarantees, and these guarantees may be subject to quotas.

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 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 30 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 and $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

Since 1991, the government of Uzbekistan has restricted conversion of its currency, which has served as a major impediment for foreign investors and local private businesses. Uzbekistan is the only former Soviet Union state still impeding currency conversion. This policy has led to the creation of a large illegal currency market, where the exchange rate for U.S. dollars is currently about 30 percent higher than the official rate (U.S. dollars are also available for purchase on a semi-official 'commodity exchange' at twice the official conversion rate). Presently, businesses must obtain permission from the CBU to access foreign currency; while the CBU is obliged by law to convert the currency within five business days, actual waiting times are rarely less than three months and often stretch out well over a year. In several notable cases, the GOU has told import-dependent companies that, rather than depend on currency conversion from the Central Bank for their hard currency needs, they need to further localize their operations to reduce dependence on imported inputs and increase exports to generate hard currency revenues.

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, with proceeds from these exchanges earmarked to satisfy currency conversion requests. As the official rate of exchange is approximately 38 percent less than the black market rate and 45 percent less than the commodities exchange rate, most local companies endeavor to keep their hard currency revenues in foreign banks and therefore out of the pool available for conversion requests. Legal entities wishing to access foreign currency must spend significant time navigating the bureaucracy, with their money held in a non-interest-bearing custodial account while permission from the Central Bank is pending. The government reportedly issues banks confidential instructions regarding which orders are to be filled.

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. In the cases of legal seizures, compensation to foreign partners is required to be made in a transferrable currency, but in most cases is made in local currency.