

U.S. Country Commercial Guides



Uzbekistan 2018

Doing Business in Uzbekistan:

2018 Country Commercial Guide for U.S. Companies

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Doing Business in Uzbekistan

Market Overview

- Key Economic Indicators:

	2012	2013	2014	2015	2016	2017
Nominal GDP (billion USD)	51.8	57.7	62.6	66.7	67.2	47.9
Consumer price inflation (percent)	11.9	11.7	9.1	8.5	8.4	12.5
Foreign Direct Investment (billion USD)	2.0	2.1	1.7	2.1	1.6	2.4
Current-account balance (million USD)	2,23	1,29	1,15	0,46	0,45	0,95
Exports FOB (billion USD)	14.25	15.08	14.10	12.87	12.56	13.95
Imports CIF (billion USD)	12.02	13.79	13.95	12.41	12.11	13.00

(Source: Data by country authorities and IMF estimates as of 06/1/2018)

- Major Trade Partners: (Uzbekistan official statistics, 2017)
 - China, 18.5%
 - Russia, 17.9%
 - Kazakhstan, 7.7%
 - Turkey, 5.7%
 - U.S., 0.8%
- Uzbekistan's Constitution provides for a presidential system with separation of powers and a representative government. In practice, power is highly concentrated in the office of the president and the executive branch. The government's economic policy is based on export oriented and import substituting industrialization. All major industries of the country are owned or controlled by the state.
- The government has prioritized attracting foreign investment since 2017. However, a small number of large state-initiated and government-supported investment projects over the next five years will generate most of the opportunities for exporting to

Uzbekistan. These initiatives, for which the government is currently seeking funding, include:

- Projects in the oil and gas industry are intended to attract about \$30.4 billion in investment from various sources through 2021. These projects may represent good export opportunities for U.S. suppliers of oil and gas extraction, transportation and processing technologies.
 - Growing external demand for food products produced in Uzbekistan creates export opportunities for suppliers of food processing and packaging technologies.
 - An ambitious government program aimed at developing a national information-communication system creates stable demand for IT solutions both in the public and private sectors of the economy.
 - Due to its doubly landlocked location, Uzbekistan is developing its transportation infrastructure, including interconnections with major transcontinental corridors. The national railway company intends to modernize its fleet of locomotives.
- Uzbekistan has signed bilateral agreements on the avoidance of double taxation, though the United States considers its 1973 U.S.-USSR tax treaty as in force regarding Uzbekistan, while the Uzbek government does not. Uzbekistan also has treaties providing most-favored-nation treatment with more than 45 countries. Several agreements, including those with Iran, Japan, and the United States, have not yet entered into force (U.S.-Uzbekistan agreements on trade relations, including most favored nation status, and on encouraging and reciprocally protecting investment, were completed in 1994 but never ratified by the United States.). In 2014, Uzbekistan joined the CIS Free Trade Zone Agreement.
 - Violent extremist groups in the region, including the Islamic Movement of Uzbekistan, al-Qa'ida, and DAESH, have not in recent years represented a threat to foreign investment in Uzbekistan.

Market Challenges

Import Taxes and Duties

Duties on cars, electronics, home appliances, foodstuffs and textiles range from 5% to over 100%, a result of measures taken by the government to protect domestic industry.

Currency Issues

In September 2017, the government removed the currency's long-standing artificially low official exchange rate, bringing it to a current market-based exchange rate much more representative of its value.

Overregulated Banking Sector

Three large state-owned banks hold approximately 60 percent of the total assets and capital of the entire banking system, and state-owned banks are virtually the agents of the government in implementing government development strategy. Privately owned commercial banks are small niche players. All banks are closely monitored by the government, which imposes non-core functions on them, including tax withholding and financial oversight of their clients. Several private banks lost their licenses to conduct transactions in foreign currency in 2012-2013. Private credit unions were abolished in late 2012.

Judicial System and Trade Legislation

In general, the judicial system upholds the sanctity of contracts, but if a government-affiliated entity is involved, judgments tend to favor the local partner. Tax exemptions for the majority of foreign businesses were rescinded in 2006, some retroactively, and U.S. firms should consult with a local attorney and develop relationships with Uzbek partners before entering the market.

State Involvement

Starting from April 1, 2018, the government introduced a two-year ban on inspecting the financial and business activities of entrepreneurs, with the exception of inspections conducted in criminal cases and in connection with the liquidation of a legal entity.

Similar steps have been taken in the past to improve the business climate. For example, on January 1, 2017 all types of unscheduled inspections of business (except those related to the liquidation of a legal entity) were abolished. In 2012, criminal penalties were imposed for a period of five years for unreasonable inspections, and in 2005 a decree was signed stipulating that activities of Uzbek companies could only be terminated through a court decision.

Market Opportunities

The following industries may offer promise for U.S. exports:

- Mining, Quarrying, and Oil and Gas Extraction
- Construction
- Transportation and Warehousing

- Tourism

Market Entry Strategy

The following factors should be considered in developing a market entry strategy:

- **Importer Solvency:** Although the currency conversion reform provided access to liberalized foreign currency, importer solvency is still can be an issue due to specifics of local banking systeme and law enforcement practices.
- **Building Relationships:** The government and public sectors are major importers of goods and services, but their procurement procedures are complex. Solid relationships with decision-makers are useful, and employing a local representative or sales agent, in addition to visiting potential trade partners, especially in the initial stage of negotiations, is useful in developing professional relationships.

Political Environment

Please consult the following link for information:

<http://www.state.gov/r/pa/ei/bgn/2924.htm>

Selling US Products & Services

Using an Agent to Sell US Products and Services

U.S. companies currently active in Uzbekistan most commonly use the following methods to get their product to market: distributing or selling the product directly; working through a country-wide distributor or agent; working through more than one local-area distributor or agent; and distributing or selling products directly from a warehouse.

It is very important to have an experienced and reliable local partner or agent who knows the local market, customs, business environment and legislation. A U.S. exporter new to the market may contact business associations such as the American Chamber of Commerce in Uzbekistan (www.amcham.uz) for general information on potential partners, agents or distributors.

Establishing an Office

The government is considering a new registration process which will be introduced by the end of 2018. Meanwhile, before 2017 a local representative office had to be accredited with the State Committee for Investments (SCI). Accreditation lasts from one to three years, after which it is usually extended annually. The registration fee is approximately \$1,200 and the application takes ten working days to process. The following documents must be submitted to SCI to accredit a local office:

1. A letter of application that:
 - States the purpose of the proposed office and describes the organization's proposed activities;
 - Lists the organization's business contacts in Uzbekistan;
 - Lists relevant, signed commercial agreements and contracts indicating the subject, value, and length of validity; and
 - Outlines prospects for future activities.
2. Two notarized copies of the organization's charter and foundation documents.
3. An SCI registration form, completed, signed and sealed by the head of the organization's office in Uzbekistan. Registration forms can be obtained from SCI's Accreditation Department.
4. A certificate of registration in the country of origin.

5. A letter from a landlord with consent to rent office space for the company.
6. An affidavit giving full authority to the head of the representative office in Uzbekistan to act on behalf of the company.

Within ten days of completion of the registration process, the representative office must inform local tax authorities of its existence.

Franchising

The Uzbek market presents unexplored opportunities for fast-food and catering franchises. Some international companies have limited franchises in Tashkent. The most serious barriers to franchising efforts are quality control, a lack of information, and weak intellectual property rights protections. However, there is great interest from local businesses to develop franchising with U.S. fast food and apparel companies. In early 2018, a local firm announced it would open dozens of KFC restaurants in Uzbekistan within the next several years, followed by other Yum Brands restaurants, such as Pizza Hut and Taco Bell.

Direct Marketing

The process of direct marketing is growing slowly in Uzbekistan. A popular form of direct marketing is distributing free samples at points of sale, cultural events, and door-to-door. There are limited examples of direct marketing via television. Marketing by mail is not used.

Joint Ventures/Licensing

There are around 6,000 joint ventures and companies with participation of foreign capital registered in Uzbekistan, though some of these companies are inactive. Foreign investors should exercise extreme caution in selecting joint venture partners.

There are a number of joint venture types available to investors, including limited liability societies, joint stock companies, partnerships, and subsidiaries. According to the Uzbek Civil Code, owners are generally not responsible for a company's liabilities, but in cases where a parent company's actions lead to insolvency, they are often held responsible. For a limited liability society, equity capital cannot be less than forty times the minimum monthly wage (MMW). At the time of publication, 1MMW was equal to 172,240 soum, or approximately \$22. The minimum charter capital for a joint stock company should be equivalent to \$400,000. The minimum charter capital for foreign investments is \$150,000 for at least a 30% share in an enterprise.

Enterprises with foreign investments must be registered at the Ministry of Justice, and companies that utilize foreign capital must be registered at regional Hokimiats (local governors' offices).

The law on licensing was issued in September 2000. This law is very general and differs greatly from U.S. law. The import licensing system applies to military equipment; precious

metals, alloys, precious stones, radioactive substances, audio and video products, and the professional activities of foreign citizens in Uzbekistan.

Selling to the Government

The Law on Public Procurement defines the terms used to refer to parties involved in public procurement, as well as their rights and responsibilities:

- State customers - budget-funded agencies and state-owned enterprises;
- Participants of procurement procedures - firms, both domestic and foreign, which participate in the procurement procedure as candidates for procurement;
- Contractor - the bidder selected as the winner based on the results of the procurement procedures, with whom a contract is signed;
- Procurement commission - a collegial body authorized to select a contract winner from the participants. The commission consists of an odd number of members; its composition and number of members depends on the procurement method and may vary depending on the nature of procured goods;
- Meetings of the Procurement Commission may take place either in-person or remotely. Decisions regarding public procurement of goods, works, or services with a value less than five thousand times the minimum wage can be made remotely, while those with a value over five thousand times the minimum wage can only be made at a physical meeting of the Commission.
- Operator of Special Information Portal - a specially authorized organization that assists in the organization and conduct of procurement procedures, the filing of applications and other information on public procurement and their results on a special website where state purchases are conducted.

The following forms of procurement procedure are approved by the law:

- Electronic purchase
- Reverse auction
- Competitive bidding
- Public tender
- Single supplier public procurement

By law, all information regarding procurement will be published on a special portal. Monitoring and state control over the process by the Accounts Chamber, the Prosecutor General's Office, the National Agency for Project Management (NAPU) and the Ministry of Finance is established, as well as public control by citizens, self-governing bodies, NGOs, and the media.

These regulations do not apply to public procurement under certain conditions:

- When procurement is carried out by strategic entities, with the exceptions of public procurements carried out in the implementation of state development programs, provided for by presidential acts and decisions of the Government;
- When it is necessary to ensure the safety of persons subject to state protection, defense, security and internal order in the country, or state secrets;
- When the goods, works, or services being procured are required to ensure the needs of the Republic in emergency situations;
- When the procedures of donor countries, relevant international, foreign governmental or non-governmental organizations or the terms for granting foreign loans under the state guarantee and foreign grants require a different procedure for procurement of particular goods, works, or services;
- When procurement is carried out for the preparation and conduct of elections or referendums, at all levels
- When procurement is associated with the appointment of a lawyer to participate in court proceedings;
- When the goods, works, or services being procured have fixed prices established by law.

Key opportunities for selling to the Government of Uzbekistan are in the following areas:

- Telecommunication equipment: digital fixed-line telephone stations and switches for the state-owned Uztelecom Company; wireless communication equipment for law enforcement agencies; telecom equipment for the state-owned railway company;
- Power generation and transmission equipment;
- Oil and gas-related industrial materials and supplies;
- Information and communication technology hardware and software;
- Commercial vehicles, including specialized trucks, city and tourist buses, ambulances, and railway trains and cars;
- Construction equipment, including road construction machinery and equipment, cranes, concrete carriers, and industrial vacuum machines; and
- Medical equipment for hospitals and clinics.

Distribution & Sales Channels

Nearly half of Uzbekistan's population of more than 32 million is concentrated in Tashkent and the Fergana Valley, two regions consumer product manufacturers should consider as entry points to Uzbekistan's markets. Residents of Tashkent have the greatest purchasing power in the country. Other large cities include Samarkand and Bukhara, which benefit from tourism, and Navoi, which is home to Uzbekistan's gold mining enterprise. Uzbekistan is a double-landlocked country, so getting goods to the country can be complicated, but once in, distribution is easier because of the dense population and relatively good transportation infrastructure.

Express Delivery

A number of international express mail couriers are active in Uzbekistan, including DHL, FedEx, UPS, and others. Certain commodities are considered as “Non-Documents” and need to be accompanied by an invoice and, in some cases, additional customs documentation. Transit times from major U.S. cities average around one week. In January 2015, the government introduced new taxation rules on imported goods valued at over \$1,000.

Selling Factors & Techniques

In accordance with Uzbek legislation on the protection of consumer’s rights, all products sold in the country must contain the following information in the Uzbek language:

- Name of the product;
- Manufacturer’s name and contact information;
- Ingredients and “best before” date (for foodstuffs);
- User’s manual (if applicable); and
- Warnings (if applicable).

This information must be labeled on the product at the facility where it is produced. The government will not allow in-country labeling.

eCommerce

Overview

The number of Internet service providers has grown in Uzbekistan, but penetration remains low and government regulation is strict.

Tashkent, with 90 percent of the country’s Internet users, is the only viable eCommerce market in Uzbekistan. Although the Parliament approved the “Law on Electronic Digital Signature” in 2005, providing a basis for legal Internet transactions, the main barriers to development of eCommerce are insufficient electronic banking services and undeveloped trade regulations. Basic Internet service is adequate and Uzbekistan has extensive fiber optic networks. The number of Internet users exceeds 13 million people. Increased Internet service delivery by mobile phone operators contributes to the potential for eCommerce, and there are approximately 23 million cell phone users in the country now.

Current Market Trends

A law on eCommerce was adopted in 2004 and further amended in 2015. In April 2017, the Central Bank of Uzbekistan amended the decree “Regulations on the procedure for the use of bank cards by individual entrepreneurs in national currency”. According to the new regulations, an individual entrepreneur has the right to transfer his bank card to other people

for use. An individual entrepreneur can also use a bank card to pay for production costs as well as goods and services.

Domestic eCommerce is gaining momentum as domestic trading platforms develop. However, cross-border eCommerce is still hampered by customs regulations, and the fact that billing systems of major international eCommerce platforms (such as e-bay.com and amazon.com) have not extended to Uzbekistan.

Domestic eCommerce (B2C)

One of the key factors in the development of domestic eCommerce in Uzbekistan is the improvement of mobile payment services. Smart phones can now be linked to bank cards for sales purchases. This method of payment for both the seller and the buyer is more convenient than a plastic bank card.

Cross-Border eCommerce

Chinese and Turkish products are popular with the local population. Most popular online purchases are health and beauty products, electronics, clothing and shoes. As a relative newcomer to eCommerce sales, Uzbekistan's market is not saturated and open to new products and ideas. Customs regulations and poor integration with international billing systems are factors currently inhibiting eCommerce sales.

eCommerce Services

Some companies host eCommerce sites (such as www.olx.uz), and many individual Uzbek companies maintain an Internet presence. More sophisticated sites, such as Osonol.uz, are beginning to appear, but remain in an early stage of development. Beginning January 5, 2016, Uzbekistan Airways launched online ticket sales for flights.

eCommerce Intellectual Property Rights

Please refer to the Intellectual Property Rights section under the Investment Climate Statement

Popular eCommerce Sites

www.my.gov.uz

www.facebook.com

www.olx.uz

www.zor.uz

www.beautybox.uz

www.arba.uz

Online Payment

Online payment is done through the use of bank cards and smartphones.

Mobile eCommerce

Mobile eCommerce is still developing and not widespread in Uzbekistan. Mobile applications are used for both advertising and information purposes as well as payment, although the majority of transactions are still done by cash.

Digital Marketing

Digital marketing is new to Uzbekistan. In general, foreign firms use social media for advertising purposes.

Major Buying Holidays

New Year

International Women's Day (March 8)

Social Media

Facebook and Telegram are widely used for B2B and B2C sales.

Trade Promotion & Advertising

Print and television are the most popular means of advertising. The *Bisnis Vestnik Vostoka* (BVV - "Eastern Business Review"), *Darakchi* ("Herald"), *Prestizh* ("Prestige"), *Argumenty i Fakty* ("Argument and Fact") and *Economicheskoe Obozrenie* ("Economic Review") are the most widely read economic and business journals. Local TV channels, including *Yoshlar*, *Kino*, and *Sports*, tend to have relatively small audiences. Advertisers prefer to place their content with cable television providers that offer access to Russian and U.S. programming.

There are several Western and local advertising firms in Tashkent, including *Avesta* (<http://avesta-s.uz/>). Radio, billboard, and transport (buses) advertising is also commonly used by Russian, Western, and local companies. "Orange-Media" markets itself as a leader in outdoor advertising (<http://orange-media.uz/?lang=en>). SK Media Advertising Agency works with brand name companies (info@skmedia.uz).

Uzbekistan has numerous trade shows covering a diverse array of sectors, including tourism, energy, technology and mining. Most are held at the Uzexpo centre—the largest exposition center in Tashkent (<http://www.uzexpocentre.uz>). ITE Uzbekistan (www.ite-uzbekistan.uz) is the most prevalent exposition organizer in the country, though IEG-Uzbekistan (<http://ieg.uz>) and TNT Productions, Inc. (www.tntexpo.com) provide similar services.

Pricing

Exporters should consider taxes and duties in pricing their goods. Fees and tax rates vary as to the type, quality, and quantity of imported goods. There are a number of tax and duty incentives granted to certain industries, but in general imported goods are relatively more expensive.

Sales Service/Customer Support

Expectations regarding customer support and sales service in Uzbekistan have risen steadily since the country's independence. Many small-scale companies with insufficient financial resources cannot provide sales services at appropriate levels. Some larger businesses have built countrywide customer support centers, and companies intending to sell equipment in Uzbekistan are advised to set up a local service office to address customer support. Training of local technical staff in providing professional service is critical, as is maintaining an adequate supply of spare parts and supplies required for servicing customer equipment.

Protecting Intellectual Property

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

For information about patent, trademark, or copyright issues - including enforcement issues in the US and other countries - call the STOP! Hotline: **1-866-999-HALT** or visit <https://www.STOPfakes.gov>.

For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <https://www.uspto.gov/>.

For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit <https://www.copyright.gov/>.

For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at <https://www.stopfakes.gov/Industry-Resources>.

For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: <https://www.stopfakes.gov/Country-IPR-Toolkits>. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

The U.S. Department of Commerce has positioned IP attachés in key markets around the world. The contact information for Uzbekistan's IP attaché is:

Russia, the C.I.S. and Georgia

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In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

Due Diligence

Due diligence is important in choosing the best market entry strategy and in selecting business partners and clients in Uzbekistan. Notable areas of concern include company solvency, import restrictions and procedures, rule of law issues, and limitations on government investment incentives. Interested parties may contact the American Chamber of Commerce in Uzbekistan (<http://www.amcham.uz>) or any of the major international auditing companies with offices in Tashkent, including:

- Pricewaterhouse Coopers (<http://www.pwc.com/uz/en/>)
- Ernst & Young Uzbekistan (<http://www.ey.com/OurLocations>)
- Deloitte & Touche LLC
(<https://www2.deloitte.com/kz/en/pages/uzbekistan/topics/uzbekistan.html>)
- KPMG (<https://home.kpmg.com/xx/en/home/about/offices.html>)
- Baker Tilly Uzbekistan (<http://bakertillyuz.com/eng/>)

The U.S. Embassy provides International Company Profile (ICP) services to assist U.S. firms in evaluating potential business partners by providing information on Uzbek companies. For more information, visit: <https://uz.usembassy.gov/business/getting-started-uzbekistan/international-company-profile/>.

Local Professional Services

A list of local professional services, with contact information, is provided in the “Contacts, Market Research, and Trade Events” section.

Principle Business Associations

There are a number of different business associations in Uzbekistan, including the following:

- American Chamber of Commerce in Uzbekistan: <http://www.amcham.uz>
- American-Uzbekistan Chamber of Commerce: <http://www.aucconline.com/> (based in Washington, D.C.)
- Association of International Road Carriers (AIRCUZ): <http://www.aircuz.uz/>
- Business Women’s Association of Uzbekistan: http://bwa.uzorg.net/index_eng.html

- Chamber of Commerce and Industry of Uzbekistan: <http://www.chamber.uz>

More information about business and professional associations of Uzbekistan can be found at: <http://www.goldenpages.uz/en/rubrics/?Id=4150>. Despite their numbers, business associations have little influence over government decisions and policy.

Limitations on Selling US Products and Services

Legislation requires companies to hire Uzbek nationals for specified positions in banking and auditing companies. The chief accountant must be an Uzbek national, as must the CEO or at least one member of the Board of Directors. Only Uzbek nationals can be tour guides.

There are several official limits to foreign ownership. Foreign ownership and control are prohibited for airlines, railways, power generation companies, long distance telecommunication networks, and other sectors deemed to be related to national security. Lesser restrictions also apply to the media, finance, insurance, and travel.

Foreign ownership in media enterprises is limited to 30 percent. In finance, foreign investors may operate only as joint venture partners with Uzbek firms, and banks with foreign participation face fixed charter funding requirements (€10 million for commercial banks, €5 million for private banks, and €1.5-6.0 million for insurance companies [\$11.34 million, \$5.67 million, and \$1.7-\$6.8 million, respectively), while the required size of the charter funds for Uzbek firms is set on a case-by-case basis. In the tourism sector, foreign ownership cannot exceed 49 percent of any business.

Web Resources

- www.amcham.uz - American Chamber of Commerce in Uzbekistan.
- www.aucconline.com - American-Uzbekistan Chamber of Commerce (based in Washington, D.C.)
- www.adb.org - Asian Development Bank
- www.afs-research.com - Investment consulting company providing analytical reports and financial services facilitation to companies and investors.
- www.cer.uz - The Center for Economic Research conducts and publishes studies about Uzbek and world macroeconomic, financial and economic developments.
- www.chamber.uz - Uzbek Chamber of Commerce provides general economic information and information about its services.
- www.goldenpages.uz/en/rubrics/?Id=4150 - List of associations in Uzbekistan.
- www.kommersant.uz - Business information site in Uzbekistan.
- www.lex.uz - Launched in 2010 by the Uzbek Ministry of Justice, this portal provides free access to Uzbekistan's legislative database.
- www.mfer.uz - Ministry of Foreign Trade of Uzbekistan
- www.invest.gov.uz - State Committee for Investments (SCI)
- www.press-service.uz - Official press service of the President of Uzbekistan.

- www.tenders.uzreport.uz - Assists state institutions, private companies, and international organizations with the government tender process.
- www.undp.org - United Nations Development Programme
- www.uzdaily.com - Information on a wide variety of economic, political and social news.
- www.uzreport.com - A business Internet portal owned by the Tashkent-based SAIPRO-FINNET Company. It provides information and eCommerce services for both Uzbek and international subscribers.

Leading Sectors for U.S. Exports & Investments

Best Prospect Overview

Agricultural Sector

Mining, Quarrying, and Oil and Gas Extraction

Manufacturing - Food Manufacturing

Information - Data Processing, Hosting, and Related Services

Transportation and Warehousing

Utilities Electrical Power

Agricultural Sector

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Agriculture is an important sector of Uzbekistan's economy, accounting for approximately 17.3 percent of GDP and employing about 26 percent of the labor force. Cotton and grain are the country's principal crops. Exports of agricultural products contributed approximately 9.7 percent to Uzbekistan's external earnings in 2017. The government hopes to increase agricultural productivity through the adoption of new technologies, and to further develop processing and packaging capabilities to add value to domestic and export products. The Government plans to develop the country's textile sector and thereby process more of its own raw cotton into intermediary or consumer goods for export. According to "Uzbekengilsanoat" JSC (a major joint stock company dealing with the textile industry), about \$1 billion will be allocated to the modernization of the textile industry during 2015-2020. The program envisions an increase in the volume of local processing of cotton from the current 44 percent to 70 percent in 2020, and a corresponding increase in the production of textile products from \$800 million to \$1.5 billion.

To improve the country's food security, the Government of Uzbekistan has emphasized wheat production and supported poultry and animal farming over the past few years. Moreover, the profitability of fresh fruits and vegetables has increased in recent years and local farmers have aggressive plans for developing export markets for these products.

Unit: USD thousand

	2015	2016	2017	2018 (Est)
Total Local Production	16,293,025	16,334,266	13,572,388	15,399,893
Total Exports	2,053,200	1,707,000	1,352,900	1,704,367
Total Imports	1,585,200	1,439,700	1,273,900	1,432,933
Imports from the US	3,332	1,074	2,963	2,456
Total Market Size	15,825,025	16,066,966	13,493,388	15,128,460
Exchange Rates	2,595	2,965	5,121	8,000

(total market size = (total local production + imports) - exports)

(Source: Data for 2018 was estimated by Post using company project implementation progress reports. Imports from the U.S. were derived from the U.S. census bureau. Last revised: May 21, 2018. Estimate as of 06/06/2018)

Leading Sub-Sectors

For specific opportunities, businesses should contact companies involved in the Uzbekistan's agricultural industry, including Uzbekoziqovqatholding, Uzbekoziqovqatzahira, and Uzagroexport

Opportunities

Cattle breeding and poultry farming;

Seeds and seedlings (for example, berries, fruits, nuts, vegetables, melons);

Seeds and seedlings of ornamental plants (flowers);

Technical solutions for microclimate control in greenhouses;

Mills for the production of feed and feed additives for poultry;

Packaging of fresh vegetables and fruits.

Web Resources

U.S. companies and individuals interested in learning more about upcoming procurements and export opportunities are encouraged to visit the following websites:

Ministry of Agriculture of Uzbekistan: <http://www.agro.uz/ru/>

Rural Restructuring Agency under the Ministry of Agriculture and Water Resources: <http://www.rra.uz/en/>

Ministry of Economy: <https://mineconomy.uz/>

State Committee for Investments (SCI): www.invest.gov.uz

Ministry of Foreign Trade of Uzbekistan: www.mfer.uz

Chamber of Commerce and Industry of Uzbekistan: www.chamber.uz

Government Portal of the Republic of Uzbekistan: www.gov.uz

ITE Uzbekistan Exhibition Company: www.ite-uzbekistan.uz

U.S. Embassy in Uzbekistan: <http://uzbekistan.usembassy.gov/business.htm>

Mining, Quarrying, and Oil and Gas Extraction

This is a best prospect industry sector for this country. Includes a market overview and trade data.

, the demand for modern packaging and processing equipment is poised for growth. Local production of packaging materials is minimal and relies heavily on imported inputs. Further development of this industry will require investment into processing, packaging, and cold storage facilities, all representing potential opportunities for U.S. suppliers.

Overview

Mining, quarrying, and oil and gas are the leading industries of Uzbekistan's economy. The country is the world's 15th largest producer of natural gas and 9th largest producer of gold. The oil and gas sector contributes nearly 16 percent to Gross Domestic Product and employs over 120,000 people. The country's hydrocarbon reserves are significant; according to local industry

officials, total primary energy reserves (proved and projected) amount to 5.5 billion tons of oil equivalent (toe), including 1.5-1.6 billion toe of natural gas, 245 million toe of oil and up to 3.3 billion toe of coal.

Uzbekistan is regarded as a key partner in fuel and energy cooperation in the region, as well as in global energy projects with innovative approaches. Fuel and energy projects initiated by the Uzbek National Oil and Gas Company, Uzbekneftegaz for the last 10 years have accounted for a significant share of all investment projects in Uzbekistan. According to publicly available reports, over \$22 billion of foreign investments was directed to the oil and gas industry, and over \$4 billion to power generation industries between 2010 and 2017 – amounting to nearly 75 percent of all foreign investments and loans to the country.

Unit: USD thousand

	2015	2016	2017	2018 (Est)
Total Local Production	8,405,260	3,822,159	3,471,411.83	3,854,317.96
Total Exports	4,157,200	2,427,300	2,837,500.00	3,140,666.67
Total Imports	1,644,400	1,509,500	2,017,100.00	1,723,666.67
Imports from the US	99	3,680	37.00	1,272.00
Total Market Size	5,892,460	2,904,359	2,651,011.83	2,437,317.96
Exchange Rates	2,595	2,965	5,121	8,000

(total market size = (total local production + imports) - exports)

(Source: Data for 2018 was estimated by Post using company project implementation progress reports. Imports from the U.S. were derived from the U.S. census bureau. Last revised: May 21, 2018. Estimate as of 06/06/2018)

Leading Sub-Sectors

Oil and Gas Extraction, Support Activities for Mining: U. S. oil and gas companies may bid on contracts to supply services to the Government of Uzbekistan or to any firm operating in the country. Specific fields include consulting, engineering, construction, equipment supply, and management. The GOU presently has an increased interest in licensing technologies for oil refining and gas extraction, treatment and processing. Uzbekneftegaz has a procurement agency, UzTashkiNefteGas, established for procurement of goods, services, equipment, and machinery. All tenders and technical requirements, specifications, documents, and procedural explanations are available on the organization's website: www.ung.uz.

Opportunities

For specific opportunities, businesses should review tenders via the Internet or contact companies already involved in Uzbekistan's oil and gas sector. In general, opportunities exist in developing and exploring fields; analyzing oil and gas-bearing structures; seismic surveys and deep drilling; and joint exploration and development of new fields and deposits.

Web Resources

U.S. companies and individuals interested in learning more about the oil and gas sector, upcoming procurements and export opportunities are encouraged to visit the following websites:

Invest in Uzbekistan: www.investuzbekistan.org

Uzbekneftegaz National Holding Company: www.ung.uz

JSC O'ztashqineftgaz (Uzbekneftegaz procurement arm): www.utng.uz

Ministry of Foreign Trade of Uzbekistan: www.mfer.uz

State Committee for Investments (SCI): www.invest.gov.uz

ITE Uzbekistan Exhibition Company: www.ite-uzbekistan.uz

Ministry of Economy of Uzbekistan: www.mineconomy.uz

Governmental Portal of the Republic of Uzbekistan: www.gov.uz

Chamber of Commerce and Industry of Uzbekistan: www.chamber.uz

U.S. Embassy in Uzbekistan: <http://uzbekistan.usembassy.gov/business.html>

Food Manufacturing

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Prior to 1991, packaging in Uzbekistan was outsourced. After the breakup of the USSR, Uzbekistan was left with a small industry that was geared toward packaging of chemicals. Existing food processing and packaging equipment is antiquated or does not meet present needs. Given Uzbekistan's potential to develop into a major food exporter

The government adopted a program of measures for 2015-2019 to ensure structural reforms, modernization and production diversification in this sector. The program covers four main areas: (1) export supplies; (2) establishment of 15 trade & logistic centers with a total capacity of 60 thousand tons; (3) financial support worth \$596 million for 180 investment projects aimed at construction, infrastructure, packaging, and food processing projects; (4) packaging sector development. The annual growth rate of food manufacturing in Uzbekistan is 10-15%.

Unit: USD thousand

	2015	2016	2017	2018 (Est)
Total Local Production	6,446,705	7,965,329	4,961,550	6,457,862
Total Exports	1,317,100	1,069,800	875,800	1,087,567
Total Imports	1,585,200	1,439,700	1,273,900	1,432,933
Imports from the US	1,253	584	2,347	1,395
Total Market Size	6,714,805	8,335,229	5,359,650	6,803,228
Exchange Rates	2,595	2,965	5,121	8,000

(total market size = (total local production + imports) - exports)

(Source: Data for 2018 was estimated by Post using company project implementation progress reports. Imports from the U.S. were derived from the U.S. census bureau. Last revised: May 21, 2018. Estimate as of 06/06/2018)

Leading Sub-Sectors

The best sector opportunities in production and processing/packaging equipment supply lie in the areas of juice, fruit, vegetable, meat and milk processing. The Uzbek government is encouraging private sector development in these areas. The greatest demand for packaging materials is for cardboard, paper, glass, aluminum foil, and stretch films. Small businesses have a great need for small-scale equipment.

Opportunities

For specific opportunities, businesses should contact companies involved in Uzbekistan's food processing sector. Some of the larger companies currently doing business in food processing in Uzbekistan include Nestle, Coca-Cola, PepsiCo, and Carlsberg. Local companies prefer working with a foreign partner and value foreign management, technology, technical expertise, and export market access.

Web Resources

U.S. companies and individuals interested in learning more about the food processing and packaging sectors in Uzbekistan, upcoming procurements, and export opportunities are encouraged to visit the following websites:

ITE Uzbekistan Exhibition Company: www.ite-uzbekistan.uz

Vinsanoat Wine Holding Company: www.vinsanoat.uz

JSC Uzdonmahsulot (dealing with wheat and wheat seeds): www.uzdon.uz

State Committee for Investments (SCI): www.invest.gov.uz

Ministry of Foreign Trade of Uzbekistan: www.mfer.uz

Center for Economic Research: www.cer.uz

Chamber of Commerce and Industry of Uzbekistan: www.chamber.uz

Ministry of Economy of Uzbekistan: www.mineconomy.uz

Government Portal of the Republic of Uzbekistan: www.gov.uz

Data Processing, Hosting and Related Services

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Currently, the IT sector is regulated by the National Information and Communication System Integrated Development Program of the Republic of Uzbekistan for 2013-2020 (Presidential Decree of June 27, 2013).

The Ministry for Development of Information Technologies and Communications of the Republic of Uzbekistan (created in 2015) is the main regulator of the IT sector. In addition, the Computerization and Information Technologies Developing Center (UZINFOCOM, created in 2002) assists in the development and implementation of national programs of computerization and the introduction of information communication technology (ICT) in all sectors of public administration and in state-owned entities in the economic and social spheres.

Currently, ICT development in Uzbekistan is focused on expanding the country's telecommunications infrastructure.

Over the past 20 years, more than 2,000 kilometers of fiber-optic cables were laid throughout the country for broadband access and the provision of converged services such as video telephony, high-speed Internet, and HDTV channels.

Uzbekistan supports a national fiber optic backbone project being implemented in Afghanistan since 2008 by providing a fiber optic network interconnection. The fiber optic loop follows the main road system in Afghanistan: Kabul – Kandahar – Herat – Mazar-i-Sharif – Kabul. The loop provides interconnection with neighboring countries like Iran, Pakistan, Uzbekistan, Tajikistan and Turkmenistan.

4G LTE networks exist in Tashkent and are planned to be introduced in the rest of Uzbekistan.

2016-2020 plans (full text is available by following this link: http://www.lex.uz/pages/GetAct.aspx?lact_id=2909066#2909163):

Increase the number of mobile phone users to 27 million by 2020 by commissioning 5,875 base stations;

Increase land line network capacity by 550,000 numbers;

Introduction of more than 20 new types of multimedia services for broadband network users in 2017;

Laying of 10,300 km of fiber-optic communication lines;

Introduction of Wi-Fi technology in public places, hotels, airports, railway stations, and other tourist places to enable Internet access.

Due to a change in the law, on January 1, 2016, mobile service operators moved to a floating rate of income tax.

Unit: USD thousand

	2015	2016	2017	2018 (EST)
Total Local Production	1,906,358	2,064,486	1,543,234	790,463
Total Exports	n/a	n/a	n/a	n/a
Total Imports	n/a	n/a	n/a	n/a
Imports from the US	3,317	6,082	6,864	5,421
<u>Total Market Size</u>	2,180,000	n/a	n/a	n/a
Exchange Rates	2,595	2,965	5,121	8,000

(total market size = (total local production + imports) - exports)

(Source: Data for 2018 was estimated by Post using company project implementation progress reports. Imports from the U.S. were derived from the U.S. census bureau. Last revised: May 21, 2018. Estimate as of 06/06/2018)

Leading Sub-Sectors

Because most investment in this sector is directed to upgrading existing network capabilities and broadening services to subscribers, the greatest opportunities lie in hardware and other products for the Internet service provider and wireless communications sectors.

Opportunities

U.S. companies may be interested in opportunities to open and support local representation offices and technical support centers. Annual telecom sector exhibitions are held in Tashkent and organized by the Ministry for Development of Information Technologies and Communications of Uzbekistan.

Web Resources

U.S. companies and individuals interested in learning more about upcoming procurements and export opportunities are encouraged to visit the following websites:

Ministry for Development of Information Technologies and Communications of the Republic of Uzbekistan: www.ccitt.uz

Press and Information Agency of Uzbekistan: www.api.uz

Ministry of Economy of Uzbekistan: www.mineconomy.uz

UzReport Information Agency: www.uzreport.uz/

Ministry of Foreign Trade of Uzbekistan: www.mfer.uz

Government Portal of the Republic of Uzbekistan: www.gov.uz

Uzexpocentre: www.uzexpocentre.uz

Center for Economic Research: www.cer.uz

ITE Uzbekistan Exhibition Company: www.ite-uzbekistan.uz

U.S. Embassy in Uzbekistan: www.uzbekistan.usembassy.gov/business.html

Transportation and Warehousing

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Uzbekistan has some of the best transportation infrastructure in the region. The sector is managed by public sector agencies, including:

- State Committee of Uzbekistan on automobile roads;
- Republican Road Fund;
- Uzbekistan Railways (Uzbekistan Temir Yollari);
- Uzbekistan Airways;
- Automobile and River Transport.

The total length of highways is 42,530 kilometers. Annual cargo turnover exceeds 1.2 billion tons, and passenger turnover is more than 120 billion passenger-kilometers.

National airlines have well developed networks of airports, including ten international airports. The fleet currently consists of 30 aircraft, including 18 Boeings, 12 Airbuses. Three additional Boeing 787-800 Dreamliners are expected to be delivered by 2020.

Uzbekistan has a well-developed network of railroads, with an average density of 150 km per 10,000 square kilometers. Annual passenger turnover is 4.3 billion passenger-kilometers, and cargo turnover exceeds 22 billion tons. The country inherited the best railway infrastructure in the region, a system developed since the 1880s by Russian and later Soviet engineers. Currently the railway system exceeds 4,500 km, connecting Uzbekistan with major transcontinental routes and with all of its neighboring countries.

In 2009-2011, Uzbekistan built the first railway into Afghanistan, connecting Uzbekistan's Termez city with Afghanistan's Mazar-i-Sharif. The Uzbeks also built all affiliated infrastructure facilities for this 75-kilometer line. The line is managed by Uzbekistan Railways. There is ongoing discussion of extending the line from Mazar-i-Sharif to Herat.

In the beginning of 2016 Uzbekistan completed the 123 km Angren-Pap railway line, which will enable Uzbekistan to better connect its Fergana Valley region to the rest of the country without relying on transit routes through neighboring countries.

2016-2020 plans (full text is available by following this link):

http://www.lex.uz/pages/GetAct.aspx?lact_id=2909066#2909163):

Increase railway transport services by 120 percent

Increase of highway services by 150 percent

Increase of airways services by 120 percent

Introduction of the first toll roads by 2020

Unit: USD thousand

	2015	2016	2017	2018 (EST)
Total Local Production	9,177,726	8,926,037	6,918,434	3,571,300
Total Exports	n/a	n/a	n/a	n/a
Total Imports	n/a	n/a	n/a	n/a
Imports from the US	3,483	250,396	10,049	87,976
Total Market Size	2,000,000	n/a	n/a	n/a
Exchange Rates	2,595	2,965	5,121	8,000

(total market size = (total local production + imports) - exports)

(Source: Data for 2018 was estimated by Post using company project implementation progress reports. Imports from the U.S. were derived from the U.S. census bureau. Last revised: May 21, 2018. Estimate as of 06/06/2018)

Leading Sub-Sectors

Ongoing transportation infrastructure development projects attract considerable volumes of government investments and international loans, and U.S. companies may be interested in export opportunities in the following sub-sectors:

- Air transportation
- Rail transportation
- Truck transportation
- Support activities for transportation
- Warehousing and storage

Opportunities

For specific opportunities, businesses should contact companies involved in Uzbekistan's transportation industry, including large state-owned monopolies like Uzbekistan Airways

(www.uzairways.com/en/), Uzbekistan Railways (www.uzrailway.uz), and Central Asia Trans (www.catrans.uz). Local companies have experience working with foreign suppliers.

Web Resources

U.S. companies and individuals interested in learning more about upcoming procurements and export opportunities are encouraged to visit the following websites:

Uzbekistan Airways: www.uzairways.com/en/

Uzbekistan Railways: www.uzrailway.uz

Central Asia Trans: www.catrans.uz

Uzbek Agency of Automobile and River Transport: www.autotrans.uz/en/

UzReport Information Agency: www.uzreport.com

Ministry of Foreign Trade of Uzbekistan: www.mfer.uz

The Government Portal of the Republic of Uzbekistan: www.gov.uz/en

Uzexpocentre: www.uzexpocentre.uz

ITE Uzbekistan: www.ite-uzbekistan.uz/eng/index.php

U.S. Embassy in Uzbekistan: www.uzbekistan.usembassy.gov/business.html

Utilities - Electric Power Generation

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Uzbekistan is the largest electricity producer in Central Asia and a net exporter of electricity. Total installed capacity in Uzbekistan is currently about 12,500 MW (25 power plants). Of this capacity, 89 percent comes from thermal power plants that work on fossil fuels, and the rest comes from hydropower generators. The annual electricity production volume is 55 billion kWh. At present, much of the equipment used in generation, transmission and distribution systems is outdated and needs upgrades to meet growing energy demand. Most of the existing generating capacity was built in the 1960s and 1970s. Around one-third of the installed capacity is more than 30 years old. Power generation equipment was produced in Russia, other parts of the former Soviet Union and by Soviet trading partners in Central and Eastern Europe. The industry has been implementing a modernization and development program since 2010. The goal is to increase generation capacity and improve fuel efficiency of major power plants.

Unit: USD thousand

	2015	2016	2017	2018 (Est)
Total Market Size	2,650,185	3,331,808	2,334,440	2,737,811
Total Local Production	2,656,185	3,337,808	2,369,440	2,787,811
Total Exports	14,000	14,000	40,000	90,000
Total Imports	8,000	8,000	5,000	40,000
Imports from the U.S.	1,674	1,832	1,047	1,518
Exchange Rates	2,595	2,965	5,121	8,000

(total market size = (total local production + imports) - exports)

(Source: Data for 2018 was estimated by Post using company project implementation progress reports. Imports from the U.S. were derived from the U.S. census bureau. Last revised: May 21, 2018. Estimate as of 06/06/2018)

Leading Sub-Sectors

Electric Power Generation, Transmission and Distribution: Upcoming projects for the reconstruction and development of power generation and distribution facilities may present opportunities for U.S. contractors and suppliers of machinery and equipment for power plants, power transmission, and power distribution infrastructure, as well as for engineering and construction companies. For specific export opportunities, businesses should contact companies involved in the Uzbekistan's energy sector, including large state-owned monopolies like Uzbekenergo (www.uzbekenergo.uz/en/).

Opportunities

Currently the energy sector of Uzbekistan may be in need of the following:

Reconstruction of power-generating blocks through installation of new fuel efficient combined-cycle energy units;

Technologies for construction of 500 kV high voltage transmission lines;

Advanced metering and billing solutions; and
Solar power generation technologies.

Web Resources

U.S. companies and individuals interested in learning more about upcoming procurements and export opportunities are encouraged to visit the following websites:

Joint Stock Company Uzbekenergo: www.uzbekenergo.uz/en/

ITE Uzbekistan Exhibition Company: www.ite-uzbekistan.uz

State Committee for Investments (SCI): <https://invest.gov.uz>

Chamber of Commerce and Industry of Uzbekistan: www.chamber.uz

Government Portal of the Republic of Uzbekistan: www.gov.uz

U.S. Embassy in Uzbekistan: <http://uzbekistan.usembassy.gov/business.htm>

Customs, Regulations & Standards

Trade Barriers

Foreign trade is regulated by the Law of Republic of Uzbekistan “On customs tariff”, which came into force on January 1, 1998. The current rates for import customs duties were enacted through presidential decree on September 2009. In general, the following import duties apply :

- ad valorem tax - charged in percentage of customs value of goods;
- specific - charged in fixed rate per unit of assessed goods;
- combined - mixture of ad valorem and specific.

The Government of Uzbekistan restricts imports by imposing high tariffs and other import duties in order to foster local manufacturing. Surveys of foreign companies consistently conclude that trade/border/customs restrictions are the most serious challenges to doing business in Uzbekistan. Despite the fact that there is a law legalizing duty-free imports for foreign investors, it is mandatory to have a legally binding agreement with the Government of Uzbekistan that waives customs fees and other duties when importing goods for investment purposes. However, the Uzbek government allows duty-free import of machinery and equipment for certain sectors to develop local industries. For example, there are no import duties for textile equipment and machinery and for spare parts, though companies may experience border issues that make importation challenging.

Most Favored Nation Treatment

The Republic of Uzbekistan provides Most Favored Nation Treatment to the following 45 countries in accordance with bilateral contracts about mutual collaboration:

1. Austria
2. Bangladesh
3. Belgium
4. Bulgaria
5. The United Kingdom
6. Hungary
7. Vietnam
8. Germany
9. Greece
10. Denmark
11. Egypt
12. Israel
13. India
14. Ireland
15. Spain
16. Italy
17. Jordan
18. Cyprus
19. Republic of Korea
20. People's Republic of China

21. Latvia
22. Lithuania
23. Malta
24. Luxemburg
25. The Netherlands
26. Portugal
27. Pakistan
28. Poland
29. Slovenia
30. Rumania
31. Slovakia
32. USA
33. Turkey
34. Finland
35. France
36. Czech Republic
37. Switzerland
38. Sweden
39. Estonia
40. Japan
41. Saudi Arabia
42. Malaysia
43. Iran
44. Singapore
45. Indonesia

Tariff preferences

The Republic of Uzbekistan applies a system of tariff preferences in an agreement between Uzbekistan and the European Union. The agreement details a maximum rate of customs duties for imported textile products. The WTO system of tariff preferences is not applied in Uzbekistan.

Quota system

A quota system is not used in the Republic of Uzbekistan. However, a list of certain imported goods subject to licensing and quotas has been assigned by the Cabinet of Ministers of the Republic of Uzbekistan. The Cabinet of Ministers can set limitations on export/import quantities for certain types of products. Distribution of quotas is usually realized on a competition basis or auction. The government has also adhered to the Montreal Protocol on Substances that Deplete the Ozone Layer (1987) through a 2005 government decree which regulates Uzbek imports and exports of substances that deplete the ozone layer.

Antidumping

Uzbek authorities require antidumping duties on imported goods. Domestic duties are not yet in place. Antidumping rates are established by the Cabinet of Ministers.

Countervailing duties

The government can impose countervailing duties and protective measures on imported goods which are manufactured, exported, or transported through the territory of Uzbekistan and which are found to cause serious harm to the economy. Procedural rules imposing countervailing duties are the same as for the anti-dumping duties.

Import Tariff

Import taxes include:

- Customs duty and levy
- Value Added Tax (VAT)
- Excise tax
- Customs clearance fee

Customs duties for imported goods range from 0 to more than 100 percent, but the average rate is approximately 30 percent. Since January 2010, 5 percent customs duties are applied to imported live animals, milk and cream, wheat, and computer hardware; 10-30 percent duties are applied to clothing, furniture, metals, foodstuffs; and more than 50 percent duties are applied to luxury consumer goods such as cigarettes and cars. More detailed information on customs duties is available by following this link:

http://www.lex.uz/pages/GetAct.aspx?lact_id=1504698

The following categories of imported goods are indefinitely exempt from customs duties:

- charter fund contributions for private enterprises, provided that these are not further sold or otherwise disposed of;
- goods imported by enterprises with foreign investment for their own needs;
- goods imported by foreign investors for their own production and personal use, and for the personal use of their foreign citizen employees;
- goods imported under a temporary importation regime;
- goods imported to process for further export; and
- goods imported for statutory needs.

Excise tax, charged as a percentage of the declared customs value, must be paid on certain products, such as cigarettes, vodka, ice cream, oil and gas condensate, fuels, cars, and carpets. Excise tax rates vary depending on the type of imported good and may deviate significantly. For example, the excise tax for jewelry is 90 percent, but two percent for passenger cars imported from Russia and Ukraine. The highest import excise tax - 200 percent - is levied on imported ice cream products. More detailed information on excise taxes for 2017 is available by following this link: http://fmc.uz/legisl.php?id2=pp_2699_13_2

The VAT rate on imports is 20 percent for all goods. VAT is based on a rate that includes the declared customs value plus customs duties and any applicable excise taxes.

The customs clearance fee is 0.2 percent of declared customs value, although interpretation of values varies widely and officials sometimes use this fee as a rent-seeking opportunity.

Import Requirements & Documentation

The Ministry of Foreign Trade of Uzbekistan (MFT) requires all Uzbek enterprises engaged in export/import operations to be registered as participants in international trade relations. Uzbek companies or individuals are allowed to conduct trade with foreign enterprises directly or through foreign trade agents.

The following import contracts are subject to examination by MFT:

- Those funded from the state budget;

- Those funded from credits (loans) attracted by the Government of Uzbekistan or under its guarantee; and,
- Those concluded by economic actors in whose authorized capital the public share constitutes over 50 percent, which are not secured by their own currency resources.

An importer must prepare and provide to the proper authorities the following documents:

- Contract;
- Certificate of conformity for certain products, the list of which is defined by the Cabinet of Ministers;
- Certificate of origin;
- Certificate on registration of the contract with MFT and/or contract with the seal indicating registration with an authorized bank;
- Passport of an import deal (a document describing a contract on import and its terms, signed by the importer, a bank, and a customs officer);
- Certificate of the availability of funds in either foreign or domestic currency that would have no liabilities or a guarantee of an authorized bank, according to the established form, which confirms an importer's ability to pay for a contract;
- Cargo customs declaration;
- Commercial invoice;
- Phyto-sanitary and veterinary certificates (as applicable);
- License (as applicable); and
- Permission from authorized banks (as applicable).

As of April 1, 2013, freight forwarders/transporters must present to Uzbek Customs officials certified information describing the goods they are exporting to Uzbekistan, their quantity, weight, and HS codes. Moreover, this legislation requires shippers to provide a document by the official export agency of the country of origin certifying the value of the shipment. The Government of Uzbekistan is presently reviewing the legality and practicality of this law but no changes have been made so far.

As of July 1, 2013, all imported food products, personal hygiene products, and certain consumer goods (a list of consumer goods is being developed by the Cabinet of Ministers) must have Uzbek language labeling that is applied by the product manufacturer.

Labeling/Marking Requirements

All products coming into Uzbekistan must be labeled in the Uzbek language and have certificates of origin. This regulation is strictly enforced, and beginning July 1, 2013, food products, personal hygiene items and certain other consumer products imported into Uzbekistan must have mandatory labeling in the Uzbek language that has been applied prior to import by the manufacturer.

The Cabinet of Ministers of Uzbekistan issued a resolution identifying certain consumer goods that must be marked with special control identification signs at import. This list of goods includes wireless communication telephones, gas stoves, air conditioners, refrigerators/freezers, dishwashers, printers, copy machines, facsimile machines, washing machines, vacuum cleaners, DVD-players, music centers, television sets and other items.

U.S. Export Controls

For information regarding U.S. government export controls please contact the U.S. Department of Commerce International Trade Administration or a U.S. Export Assistance Center located in your area. The U.S. Commercial Service has a network of Export Assistance Centers located in more than 100 U.S. cities. Contact information is available on the following website: <http://www.buyusa.gov/>.

A list that consolidates 11 export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: <http://developer.trade.gov/consolidated-screening-list.html>

Temporary Entry

Goods imported to the country temporarily must be declared under the Customs Service's temporary importation regime. Procedures and requirements regarding temporary imports depend on the purpose and terms of import. Firms are required to deposit the value of transiting goods in a local bank, and the funds will be returned once the goods have transited, but businesses have conveyed experiences with returns of funds being delayed or funds being only partially returned.

Uzbek legislation establishes a list of products prohibited from transit through the country, including:

1. Objects of armament, ammunition and military equipment;
2. Aircraft, and aircraft parts and equipment;
3. Machinery designed for manufacturing armaments, ammunition and aircraft;
4. Explosives;
5. Poisons; and
6. Other items prohibited for import into Uzbekistan.

The transit of these products may, however, be carried out if transit authorization is issued by the Ministry of Foreign Trade, and upon approval of the Cabinet of Ministers.

Prohibited & Restricted Imports

Uzbek legislation prohibits import (or requires special permission) for a range of products, including:

- Literature, films, or other media aimed at or related to undermining the state and the country's social regime; breaking territorial integrity, political independence and state sovereignty; propagandizing war, terrorism, violence, Uzbek exceptionalism and religious hatred; racism in all its forms (such as anti-semitism and fascism) capable of being harmful to state interests as well as the rights of citizens of Uzbekistan;
- Pornographic materials;
- Live animals (subject to special permit);
- Radioactive materials;
- Medicines and pharmaceuticals prohibited by the Ministry of Health;
- Military arms and ammunition;
- Narcotics (opium, hashish, etc.);
- Drone aircrafts*; and
- Ethyl spirit.

Note: * - only with permission of the Cabinet of Ministers.

Customs Regulations

Customs clearance is a complicated process in Uzbekistan and even capital equipment imports are subject to substantial processing delays. To minimize the effect of these problems, many firms contract for pre-shipment inspections (PSI). Excessive documentation requirements make customs clearance a costly and time-consuming process. In the absence of a system of pre-arrival clearing and systematic risk analysis, the customs clearance process in Uzbekistan requires physical inspection of all consignments.

The customs clearance process normally occurs in the territory where the customs authority is located. However, if requested by the party concerned, customs clearances can be conducted in other locations. The Customs Code of Uzbekistan stipulates that customs formalities are to be performed within ten days after receipt of the customs declaration and other necessary documents. Goods may be declared by a person/legal entity moving/transferring the goods or by a customs broker. The person/entity that declares the goods must fulfill all obligations and carries full responsibility provided under the legislation, regardless of whether this person/entity is the importer or customs broker. A customs broker is a legal entity in Uzbekistan that conducts customs clearing operations on behalf of the person/entity that it represents.

The State Customs Committee contact information follows:

State Customs Committee of the Republic of Uzbekistan
3, Uzbekistan Ave., Tashkent, Uzbekistan
Telephone: (998-71) 120-76-31, 120-76-41

www.customs.uz

Standards for Trade

Overview

Uzbekistan continues to use an arbitrary set of technical standards based on outdated Soviet methods. There are more than 65,000 normative documents regulating national standards. Standards for imported goods are subject to state registration through branches of Uzstandart, the Uzbek Agency for Standardization, Metrology and Certification.

Despite regulations to the contrary, customs officials routinely reject foreign certificates of conformity to these standards. Perishable goods are subject to burdensome sanitary tests, making it difficult, for example, for restaurants and hotels to use imported foods. Customs officials often take excess test samples of goods subject to technical standards for their own use.

Standards

The Uzbekistan Agency for Standardization, Metrology and Certification is responsible for certification and standardization policy. Industry standards are developed by industry regulating agencies. According to Uzbek legislation the following standard normative documents are applied in the country:

International (interstate, regional) standards;

Uzbek national standards;

Industrial standards;

Technical specifications;

Standards of the enterprise;

National standards of foreign countries; and

Administrative-territorial standards.

Foreign entities that do not have a manufacturing presence cannot participate in national standards development.

Testing, inspection and certification

Uzbekistan participates in the following international and regional organizations:

- International Organization for Standardization (ISO) - as a full member;
- International Organization of Legal Metrology (OIML) - as an associate member;
- Interstate Council for Standardization, Metrology and Certification (EASC) of the Commonwealth of Independent States (CIS);
- Interregional Association for Standardization;
- Euro-Asian Cooperation of National Metrological Institutions (COOMET) - as a full member.

Certification requirements are not a major burden for U.S. exporters of products or service providers.

Standardization authorities of Uzbekistan also cooperate with national organizations for standardization, metrology and certification of the following states: CIS members, the Arab Republic of Egypt, the Islamic Republic of Iran, the Republic of Lithuania, Slovak Republic, Turkey, the Republic of Singapore, South Korea, Greece, Germany, Czech Republic, Great Britain, Hungary, Vietnam, India, Indonesia, Spain, China, Latvia, Poland, and France.

Foreign entities that do not have a manufacturing presence cannot participate in national standards development.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

Testing and certifications are completed by the Center for Testing and Certification, together with territorial subdivisions and 73 accredited bodies. The Department for Conformance Acknowledgement and Technical Policy coordinates and gives general guidance for certification.

Product Certification

The list of imports subject to obligatory certification includes foodstuffs, alcohol and soft drinks, tobacco, minerals, metal products, fuels, crude oil and oil refinery products, fertilizers, perfumes, cosmetics and toiletries, poisons, plastics, rubber products, wooden products, paper products, textile products, certain types of clothing, reactors, boilers,

equipment for transportation (other than railway), electronics, and toys. Uzbekistan does not have any mutual recognition agreements (MRAs) with U.S. organizations.

Accreditation

According to Uzbek legislation, the import of specific goods and services is subject to accreditation by authorized ministries and agencies. For example:

- The Ministry of Labor and Social Protection accredits professional activity of foreign employees;
 - The Ministry of Culture accredits audio, video and film product importation; and
 - The State Committee for Nature Protection accredits the import of substances with potentially hazardous environmental implications.
- Certain industries require their own accreditation labs. For example, the Ministry of Health accredits all labs engaged in testing imported medicines.

Publication of technical regulations

There are no published technical regulations. U.S. entities may direct inquiries to the Uzstandart Agency through its website: www.standart.uz. The website has a “Questions and Answers” tool.

Contact Information

Ministry of Foreign Trade
Republic of Uzbekistan
Tel: (998) +71 238-5100
Fax: (998) +71 238-5200
E-mail: Secretary@mfer.uz
Website: www.mfer.uz

State Tax Committee of the Republic of Uzbekistan
Address: 13A, Abdulla Kadiriy St., Tashkent 100011
Telephone: (998) +71 244-98-98
Fax: (998) +71 244-89-12
Email: solik@dostlink.net
Website: www.soliq.uz

Uzbekistan Agency for Standardization, Metrology and Certification - "Uzstandart"
Address: 333 "A" Farobiy St., Tashkent 100049
Telephone: (998) +71 244-96-01, (998)+71 246-85-07, 246-19-61
Fax: (998) +71 244-80-28, 244-80-29, 244-80-31
Email: uzst@standart.uz
Website: www.standart.uz

State Customs Committee of the Republic of Uzbekistan

Address: 3, Uzbekistan Ave., Tashkent

Telephone: (998) +71 120-76-31, 120-76-41

Website: www.customs.uz

U.S. Embassy, Tashkent

Political/Economic Section

Telephone Number: +998-71-140-2111

Email address: BusinessInUzbekistan@state.gov

Website: <http://uzbekistan.usembassy.gov/>

American Chamber of Commerce

Ms. Nazi Aripdjanova

Executive Director

4B, Afrosiab St., office 201, Tashkent 100031

Uzbekistan

Tel: [998] (71)140-0877

Fax: [998] (71)140-0977

Email: amcham.director@amcham.uz

Website: <http://www.amcham.uz/>

Trade Agreements

Uzbekistan has signed bilateral investment or free trade agreements with 45 countries, including the United States, but the agreement with the U.S. has not yet entered into force. In 2004, Uzbekistan and Russia signed a Strategic Framework Agreement that also includes free trade and investment concessions. In November 2005, the government signed "Treaty of Alliance Relations" with Russia, with provision for economic cooperation. Uzbekistan and Ukraine also agreed, in 2004, to remove all bilateral trade barriers. In 2006, Uzbekistan began the accession process to the Eurasian Economic Community (EURASEC), but later, in November 2008, suspended its membership in the organization.

The "Treaty Between the Government of the Republic of Uzbekistan and the Government of the United States of America Concerning the Encouragement and Reciprocal Protection of Investment" was signed in Washington, D.C., on December 16, 1994, and ratified soon after by the Uzbek Parliament. The U.S. government, however, has not acted to bring this agreement into force. In 2004, Uzbekistan signed the regional Trade Investment Framework Agreement (TIFA) with the U.S. Trade Representative's Office and its four Central Asian neighbors.

Uzbekistan is not a member of WTO, but has previously expressed its interest in accession. Uzbekistan's membership in the CIS Free Trade Zone was formalized in 2014.

Licensing Requirements for Professional Services

In accordance with local legislation, some types of business activity are subject to licensing in Uzbekistan. These include:

Activities licensed by the Cabinet of Ministers:

- Development, manufacture, transportation, storage and sale of combustible and poisonous substances, materials and products therewith and blasting supplies
- Activities related with ionizing radiation sources:
- Design, construction, exploitation and repair of gas pipelines, oil pipelines and oil-products pipelines
- Design, construction, use and repair of bridges and tunnels
- Design, construction, use and repair of defense systems
- Design, construction, use and repair of high-risk objects and potentially dangerous productions
- Domestic and international railway transportation of passengers and cargoes
- Aircraft servicing relating to air transportation
- Mining, processing and sale of oil, gas, and gas condensate
- Sale of oil products (gasoline, aircraft gasoline, extra-gasoline, diesel fuel, jet fuel, black oil fuel, stove fuel, petroleum bitumen, technical oils and lubricants) excluding ones in prefabricated packages (save for sale of oil products through gas stations and oil exchange stations)
- Production of ethyl alcohol and alcoholic beverages
- Geodesic and cartographic activity
- Publishing activity
- Activity of non-governmental educational institutions
- Activity of religious educational institutions
- Production, duplication and demonstration on screen of audiovisual works
- Production of phonograms
- Tourism activity
- Fermentation of tobacco raw material and production of tobacco products
- Development, production, transportation, storage, sale, use, destruction and utilization of pyrotechnic products (except military purposed products)

Activities licensed by the Ministry of Interior:

- Engineering, installation, setup, repair and technical servicing of fire-fighting automatic facilities, security, fire and security-fire signal systems

Activities licensed by the Ministry of Health:

- Medicine activities

- Pharmaceutical activities
- Importation (and exportation), storage, sale, distribution, transportation, development and production, manufacture, and destruction of narcotic substances, psychotropic substances, and precursors; use of narcotic substances, psychotropic substances, and precursors in scientific and educational purposes and for production needs, including medicine and veterinary and cultivation of narcotic-containing plants

Activities licensed by the Ministry of Finance:

- Audit activity
- Lotteries
- Insurance activity of insurers and insurance brokers

Activities licensed by the State Committee for Privatization, Demonopolization and Development of Competition:

- Valuation activity
- Exchange activity
- Realtor activity

Activities licensed by the State Customs Committee:

- Establishing of a bonded warehouse
- Establishing of a duty free store
- Establishing warehouses in customs transit areas

Activities licensed by the Central Bank of Uzbekistan:

- Banking
- Microcredit organizations
- Pawnshops
- Credit bureaus
- Operations with foreign currency by banks and other legal entities/individuals
- Issuance of securities forms

Activities licensed by the National Security Service:

- Design, development, production, sale, repair and use of cryptographic protection of information
- Activities licensed by the Ministry for Development of Information Technologies and Communications:
 - Design, construction, use and rendering services of local telecommunication networks
 - Design, construction, use and rendering services of mobile radiotelephone communication networks
 - Design, construction, use and rendering services of international telecommunication networks

- Design, construction, use and rendering services of personal paging networks
- Design, construction, use and rendering services of data transfer networks
- Design, construction, use and rendering services of broadcasting TV and radio programs networks

Activities licensed by UZBEKKONSERT state department under the Ministry of Culture:

- Activities associated with concert tours by Uzbek groups in Uzbekistan and abroad
- Providing concerts for weddings, anniversaries and other celebrations

Activities licensed by the Main State Veterinary Department under the Ministry of Agriculture and Water Resources:

- Veterinary activity

Activities licensed by the Center of Coordination and Control over Functioning of the Stock Market:

- Professional activity on the securities market

Activities licensed by the Ministry of Justice:

- Activities of lawyers
- Wholesale trade of consumer commodities performed by regional bases of the Uzbek Association of Wholesale Enterprises

Activities licensed by the State Committee of Uzbekistan for Architecture and Construction:

- Development of architectural and planning documentation
- Carrying out inspections of construction projects
- Performance of high altitude repair and construction-assembly work by methods of industrial alpinism

Activities licensed by the Agency of Automobile and River Transport:

- Urban, suburban interurban and international passenger and cargo transportation by automobile transport

Activities licensed by the Hokimiyat (Government) of Tashkent City:

- Urban passenger transportation by automobile within Tashkent city

Activities licensed by the Hokimiyat (Government) of Tashkent Region:

- Urban and suburban passenger transportation by automobile within Tashkent region

Activities licensed by local and regional governments:

- Retail sale of oil products through gas stations and oil exchange stations

Activities licensed by municipal and regional governments:

- Wholesale trade, except trade performed by regional bases of the Association of Wholesale Enterprises

An electronic licensing portal - www.license.gov.uz - was launched in December 2016 to provide interactive services for entrepreneurs. The site requires online registration and allows users to obtain information on licensing document requirements, registration terms, and costs in many sectors such as transportation, customs, banking, architecture, construction, publishing, advertising, trade, pharmaceuticals and information technology. The portal became fully operational on January 1, 2018.

Web Resources

www.license.uz

www.standart.uz

www.mfer.uz

www.soliq.uz

www.gov.uz

www.uzreport.com

<http://www.mitc.uz/>

www.export.gov

www.chamber.uz

Investment Climate Statement

Executive Summary

At the end of 2016, newly elected president Shavkat Mirziyoyev launched an aggressive economic reform program to recast the Soviet-style centralized system of economic governance that prevailed under late President Karimov's administration. These sweeping changes culminated in the September 5, 2017, introduction of a liberalized foreign exchange regime. In 2017, the overall investment climate demonstrated other improvements- the government simplified business registration procedures, introduced some additional tax incentives for investors, improved private property protection legislation, and streamlined customs regulations. By mid-September the currency reform had eliminated the gap between the overvalued official rate and the black market rate of the national currency and allowed

currency conversion transactions for current import operations. The government also released exporters from the mandatory confiscation of a portion of their foreign currency earnings. Business registration and tax administration procedures also were simplified and some onerous inspection procedures were banned. The president announced upcoming legislation to liberalize the banking sector and improve the tax administration system.

Women’s economic participation received a boost as Uzbekistan ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The government also began work to improve women’s economic status by allowing special credit access to female employers and businesses that employ women. In an effort to demonstrate an increase in women’s political roles, Uzbekistan’s election laws now require that women constitute at least 30 percent of candidates nominated for the parliament.

The Government of Uzbekistan still has much work to do if it intends to move away from a state-controlled economic model that prizes import-substitution, export-oriented growth, and state-owned enterprises. A range of issues related to the business environment remain unaddressed and are an impediment to sustained growth. These include the domination of state-owned enterprise (SOE) monopolies in some key sectors, the limited access of private businesses to commodity resources, the restrictive nature of the banking sector, poor protection of private property rights and intellectual property rights (IPR), non-transparent government procurement practices, and corruption. The five-year development strategy approved by the president in February again demonstrated a “self-reliant” approach and focused on improving the situation of local export oriented industries, which could restrain further liberalization in areas such as foreign trade, banking and privatization of SOEs.

Uzbekistan has a long entrepreneurial and trading heritage, and has the potential to become the largest economy in Central Asia. Delays in the implementation of previously announced liberalization reforms may result in a low inflow of private investments, which, combined with declining household incomes and a drop in the living standards that usually accompanies liberalization reforms, may undermine the success of the government’s economic policies.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	157 of 180	http://www.transparency.org/research/cpi/overview
World Bank’s Ease of Doing Business Report	2018	74 of 190	http://www.doingbusiness.org/rankings

Global Innovation Index	2017	N/A of 127	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country (\$M USD, stock positions)	2016	\$90 million	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2016	\$2,220	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness To, and Restrictions Upon, Foreign Investment Policies Towards Foreign Direct Investment

By the end of 2016, President Mirziyoyev recognized the Uzbek economy needed new drivers, such as a more active private sector and increased foreign direct investment (FDI). He repeatedly prioritized improvement of Uzbekistan’s economic situation and initiated a series of government reshuffles to remold the system of economic governance.

The Government of Uzbekistan (GOU) adopted a Five-year Development Strategy in February 2017 as an official roadmap of the reforms, which includes liberalization measures and calls for the removal of “ineffective administrative barriers” that slow development of the private sector. In general, the GOU seeks to increase private investment in the economy through an improved business environment, changing Uzbekistan’s international reputation as a difficult investment destination, and building confidence among domestic investors. Mirziyoyev has also challenged all regional governments to improve the attractiveness of their territories for foreign investors and provide progress reports in this area on a quarterly basis.

Mirziyoyev also abolished some particularly egregious GOU practices, such as selectively awarding duty-free import privileges to well-connected individuals. Tax and customs systems reforms are expected to simplify and streamline export and import tax and customs procedures, improve the quality and efficiency of tax administration, and minimize tax payment/collection costs. To improve the business environment, the GOU in 2017 introduced a number of legislative changes, including the cancellation of unscheduled, and seemingly arbitrary or punitive, inspections of businesses as of January 1, 2017; elimination of the requirement to convert certain percentages of hard currency export earnings at the official (artificially low) exchange rate; simplification of business registration procedures; creation of

a Business Ombudsman office; and a Law on Countering Corruption that attempts to increase transparency in GOU functions.

Despite this progress, the government has yet to address a number of fundamental problems plaguing businesses and investors. The cumulative inflow of FDI is still one of the lowest in the former Soviet Union due to factors such as the underdeveloped and overregulated banking sector, high taxes, trade restrictions, and a lack of transparency. According to official statistics, the share of companies with foreign capital is only 1.8 percent (5,517 firms) of the total number of registered enterprises operating in the country; of these firms, 2,438 operate in production industries, 1,055 in trade, 291 in construction, 220 in tourism and catering, and 126 in IT and communications. One bright spot is that Uzbekistan moved up 16 places in the World Bank's Ease of Doing Business 2018 rating (74th out of 190 countries). The World Bank named Uzbekistan one of the top 10 global improvers.

By law, foreign investors are welcome in all sectors of the Uzbek economy and the government cannot discriminate against foreign investors based on nationality, place of residence, or country of origin. However, government control of key industries has discriminatory effects on foreign investors. For example, the GOU retains strong control over all economic processes and maintains controlling shares of key industries, including energy, telecommunications, airlines, and mining. The government still regulates investment and capital flows in the raw cotton market and controls all silk sold in the country, dampening foreign investment in the textile and rug-weaving industries. Partial state ownership and government influence are common in many key sectors of the economy.

The State Committee for Investments (<http://www.invest.gov.uz/en/>) and the Chamber of Commerce and Industry of Uzbekistan (<http://www.chamber.uz/en/index>) on a contractual basis provide foreign investors with consulting services, information and analysis, and business registration and other legal assistance.

Senior GOU officials throughout 2017 regularly organized or participated in government-business forums and meetings with local and foreign business representatives, including at least five meetings with U.S. companies. During President Mirziyoyev's visit to New York City for the UN General Assembly, he and his high-level delegation participated in a September 20 business forum and gala dinner with representatives of over 80 U.S. firms. The government also published drafts of some legislation and policy papers for public review. In May, the Parliament established the "Institute of the Business Ombudsperson" to protect the rights and legitimate interests of businesses and render them legal support. In public forums, Uzbek officials continue to stress an interest in seeing new companies establish operations in Uzbekistan, but tangible liberalization measures are still under consideration.

Limits on Foreign Control and Right to Private Ownership and Establishment

Formally, Uzbekistan guarantees the right of foreign and domestic private entities to establish and own business enterprises and to engage in most forms of remunerative activity. Last year the GOU started the process of reconsidering the role of large state-owned monopolies, especially in the commodities and services sectors. Reforms in the cotton industry were the first step in implementing this policy. In 2017, President Mirziyoyev ended the monopoly of government-controlled enterprise Uzpaxtasanoat to buy and sell raw cotton. In January 2018, the GOU launched pilot projects for a new integrated value chain system in the industry to allow private investors to independently manage cotton cultivation, harvesting, processing, and exports. The state still reserves the right to export some commodities, such as nonferrous metals and minerals. In theory, private enterprises may freely establish, acquire, and dispose of equity interests in private businesses, but in practice, this is difficult to do because Uzbekistan's securities markets are still underdeveloped.

Private capital is not allowed in some industries and enterprises. The Law on Denationalization and Privatization (adopted in 1991, last amended in 2017) lists state assets that cannot be privatized, including land with mineral and water resources, the air basin, flora and fauna, cultural heritage sites, state budget funds, foreign and gold reserves, state trust funds, the Central Bank, enterprises that facilitate monetary circulation, military and security-related assets and enterprises, firearms and ammunition producers, nuclear research and development enterprises, some specialized producers of drugs and toxic chemicals, emergency response entities, civil protection and mobilization facilities, public roads, and cemeteries.

There are several other official limits on foreign investment. Foreign ownership and control are prohibited for airlines, railways, power generation, long-distance telecommunication networks, and other sectors deemed related to national security. Foreign nationals cannot obtain a license or tax permission for individual entrepreneurship in Uzbekistan.

Restrictions also apply to media, finance, and insurance. Foreign investment in media enterprises is limited to 30 percent. In finance, foreign investors may operate only as joint venture partners with Uzbek firms, and banks with foreign participation face minimum fixed charter funding requirements (100 billion Soum for commercial and private banks, and 7.5-30 billion Soum for insurance companies - equivalent to \$12.2 million and \$1-\$3.7 million respectively), while the required size of charter funds for Uzbek firms is set on a case-by-case basis.

The government closely scrutinizes all foreign investment, with special emphasis on sectors of the economy that it considers strategic, such as mining, cotton processing, oil and gas refining, and transportation. There is no standard and transparent screening mechanism, and some elements of the legal framework are designed to protect domestic industries and limit competition from abroad. The government also uses licensing as a tool to control enterprises in several important sectors such as energy, telecommunications, wholesale trade businesses, and tourism.

There are no legislative restrictions to create selective disadvantages for U.S. investors.

Other Investment Policy Reviews

There were no investment policy reviews of Uzbekistan completed by the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), or the United Nations Conference on Trade and Development (UNCTAD) in recent years.

Business Facilitation

The GOU has declared that business facilitation and improvement of the business environment are among its top policy priorities. Uzbekistan's working-age population is growing by over 250,000 people annually. Therefore, the GOU prioritizes private businesses and joint ventures that create additional jobs and help the government address the employment issue. Business registration procedures were considerably simplified and streamlined by the introduction of one-window and on-line registration practices and electronic reporting systems. The GOU has created a number of new special economic zones to attract more FDI. New legislation has also created additional tax incentives for private businesses and sought to increase their protection against unlawful actions by government authorities. In 2016, the Ministry of Justice established a special department responsible for the protection of private businesses and foreign investors from meritless claims, unjustified inspections, and other abusive practices of state bodies. In 2017, the GOU banned a wide range of inspections and other forms of coercion and interference in the activities of private businesses.

New legislation adopted on February 9, 2017, simplifies business registration procedures for all businesses except banks and credit bureaus. Beginning April 1, 2017, foreign and domestic private investors can register their business in Uzbekistan using one of 194 "Single Window Registration" (SW) offices or 24/7 online services of the Electronic Government (EG) website - <https://my.gov.uz/en>. The procedure requires only electronic submission of an application, company name or trademark, and foundation documents. The SW/EG service will register the company in the Ministry of Justice, Tax Committee, local administration, and other relevant government agencies. The registration fee is equivalent to one minimum wage monthly salary (172,240 Soum (\$21) as of March 2018) for local investors and 32 minimum wage monthly salaries (5,511,680 Soum (\$645) as of March 2018) for foreign investors. Applicants receive a 50 percent discount for using the EG website. The new system reduces the length of the registration process from several weeks to 30 minutes.

Depending on the extent of foreign participation, a business can be defined as an "enterprise with foreign capital," or EFC (less than 30 percent foreign-owned), or as an "enterprise with foreign investment," or EFI (more than 30 percent foreign-owned and with a minimum charter capital of \$150,000). Foreign companies may also maintain a physical presence in Uzbekistan

as “permanent establishments” without registering as separate legal entities (other than with tax authorities). A permanent establishment may have a bank account.

The World Bank ranked Uzbekistan as 11th in the world for the “Starting a Business” indicator in its 2018 Doing Business report.

The government has committed to gender equality in its national legislation and seeks to improve women’s economic status through special credit access to female employers and businesses that employ women. Gender issues are included in various national development plans and programs. In 2017, about 25% (or over 120,000) small businesses were owned by female entrepreneurs. Gender targets are being pursued as part of the country’s commitment to Millennium Development Goals.

Outward Investment

In general, the GOU does not promote or incentivize outward investments. There is no institution or agency that promotes outward investment from Uzbekistan. Some state-owned enterprises invest in development of their marketing networks abroad as part of efforts to boost export sales. Private companies that operate primarily in retail, construction and textile businesses use outward investments for a number of reasons, including market outreach, accessing foreign financial resources, trade facilitation, and in some cases for expatriation of capital. The most popular destinations for outward investments are Russia, China, Kazakhstan, Singapore, UAE, and Germany.

Formally, outward investments are not restricted. However, financial transactions with some foreign jurisdictions (such as Afghanistan, Syria, Libya, and Yemen) and offshore tax havens can be subjected to additional screening by the authorities.

Bilateral Investment Agreements and Taxation Treaties

A. BITs or FTAs:

Uzbekistan has signed bilateral investment agreements with 53 countries, though the signed 1994 agreement with the United States has not been ratified and those with several other countries, including Turkey, Bahrain, and Saudi Arabia, have not yet entered into force. In 2004, Uzbekistan and Russia signed a Strategic Framework Agreement that also includes free trade and investment concessions. Uzbekistan has signed bilateral free trade agreements with eleven CIS countries (Russia, Belarus, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan and Tajikistan). In 2005, the government signed an alliance agreement with Russia, which provides for economic cooperation, and Uzbekistan and Ukraine agreed in 2004 to remove all bilateral trade barriers. Uzbekistan joined the CIS Free Trade Zone Agreement in 2014. In December 2015, the GOU officially

announced that Uzbekistan would not join the Free Trade Zone within the Shanghai Cooperation Organization (SCO). See UNCTAD's database for more details: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/226#iialInnerMenu>

B. Bilateral Taxation Treaties:

Since its independence in 1991, Uzbekistan has signed double taxation agreements with 48 countries, of which seven have not entered into force. The country also has other bilateral taxation treaties with CIS countries, Georgia, Ukraine, Mongolia, and UAE. The U.S. Internal Revenue Service (<https://www.irs.gov/businesses/international-businesses/uzbekistan-tax-treaty-documents>) considers Uzbekistan as one of the former Soviet republics that are now covered by a taxation treaty with the Commonwealth of Independent States (CIS) as the successor to the dual taxation treaty signed between the United States and the Union of Soviet Socialist Republics (USSR) (signed in 1973 and entered into force in 1976). However, the Tax Committee of Uzbekistan presumes that this agreement cannot be considered in effect and has proposed signing a new one. Uzbekistan officially presented the draft of new dual taxation treaty to the U.S. government in December 2017. In 2015, Uzbekistan and the United States signed the Intergovernmental Agreement to Improve International Tax Compliance with respect to the United States Information Reporting Provisions, commonly known as the Foreign Account Tax Compliance Act (FATCA). The FATCA agreement entered into force in July 2017.

In general, businesses note that existing taxation rates are discouragingly high and the system is inadequate, which discourages keeping money in the official banking system and leads to money accumulating and circulating in various shadow economy sectors. Radical reforms of the taxation system and its administration are expected in 2018. The reforms should simplify and streamline export and import taxation, improve the quality and efficiency of tax administration, and ensure tax payment and collection costs are minimized.

Legal Regime

Transparency of the Regulatory System

Uzbekistan has a substantial body of laws and regulations aimed at protecting the business and investment community. Primary legislation regulating competition includes the Law on Competition and Restrictions of Monopolistic Activity (2016), the Law on Competition, the Law on Guarantees of the Freedoms of Entrepreneurial Activity, the Law on Private Enterprise (2003, last updated in 2017), the Law on Investment Activities, and a number of decrees, resolutions and instructions. In late 2016, the GOU publicly recognized the need to improve and streamline business and investment legislation, which is still perceived to be complicated, often contradictory, and not fully consistent with international norms. In some cases, the government may require businesses to comply with decrees or instructions that are

not publicly available. To avoid problems with tax and regulatory measures, foreign investors often secure government benefits through Cabinet of Ministers decrees, approved directly by the president. These, however, have been easily revocable.

For additional information, please review the World Bank's Regulatory Governance assessment on Uzbekistan:

<http://rulemaking.worldbank.org/data/explorecountries/uzbekistan>

Most rule-making and regulatory authority exists on the national level.

Businesses in some regions and special economic zones can be regulated differently, but relevant legislation has to be adopted by the central government and then regulated by national-level authorities.

The scope of business-related regulations in Uzbekistan includes a large number of laws, decrees, resolutions, rules, specific guidelines, and instructions. Usually regulations and rules are developed by relevant government agencies and are approved by the president or relevant ministers, as appropriate. Public laws are subject to parliamentary approval. There are a number of research centers and think tanks that are involved in the development and review of regulations. These include experts that work in various government agencies or state-owned enterprises, as well as research centers funded by the government and international organizations like UNDP. However, except under rare circumstances, their scientific studies or analysis on the impact of regulations are not publicly available. In February 2017, the president ordered the creation of a new Strategy Development Center. The Center, which is to function as an NGO, will involve the work of a number of local organizations, including the Independent Civil Society Monitoring Institute, the Legislation Monitoring Institute, the Chamber of Commerce and Industry, the Chamber of Advocates, the Academy of Public Administration, the National Association of Electronic Media, and the National Association of NGOs. The Center is intended to consolidate efforts of these institutes to facilitate expert and public discussions on reforms outlined in the aforementioned five-year development strategy. Public review of the legislation can be implemented through a website <https://regulation.gov.uz>.

Practices that appear as informal regulatory processes are not associated with nongovernmental organizations or private sector associations, but rather with influential local politicians or well-connected local elites.

Only a few local legal, regulatory, and accounting systems are transparent and fully consistent with international norms. Although the GOU has started to unify local accounting rules with international standards, local practices are still document- and tax-driven, with an underdeveloped concept of accruals.

In late 2016, newly elected president Mirziyoyev ordered publication of some draft legislation for public comments, including draft decrees on the government's development strategies, tax and customs regulation, and legislation to create new economic zones. Public review of the legislation is performed through the website <https://regulation.gov.uz>. Prior to 2016, publishing drafts of laws and regulations for public review was uncommon.

Drafts of some legislation are published on a government website (<https://regulation.gov.uz>) for public consideration and comments. Uzbekistan's legislation digest (<http://www.lex.uz/>) serves as a centralized online location for current legislation in effect. There are other online legislative resources with executive summaries and comments that could be useful for businesses and investors, including <http://www.norma.uz/> and <http://www.minjust.uz/ru/law/newlaw/>. As of now, there is no centralized online location for Uzbekistan, similar to the Federal Register in the United States, where key regulatory actions or their summaries are published.

The Ministry of Justice and the system of Economic Courts are formally responsible for regulatory enforcement, while the Institute of Business Ombudsperson was established in May 2017 to protect the rights and legitimate interests of businesses and render them legal support. The new five-year development strategy adopted by the president in February 2017 calls for raising the role of civil society, non-governmental organizations, and local communities in regulatory oversight and enforcement. Recently the government also offered several drafts of business-related legislation for public comments; the comments, in turn, were publicly available. However, the development of a new regulatory system, including regulatory enforcement mechanisms outlined in the five-year development strategy has yet to be completed.

Formally, the Ministry of Justice and the Prosecutor's Office of Uzbekistan are responsible for oversight to ensure that government agencies follow administrative processes. In some cases, however, local officials may inconsistently interpret laws, often in a manner detrimental to private investors and the business community at large.

GOU officials have publicly suggested that improvement of the regulatory system is critical for the overall business climate. The government's new five-year development strategy adopted in 2017, includes a range of targets for upcoming reforms, such as ensuring reliable protection of private property rights; removal of all barriers and limitations for private entrepreneurship and small business; creation of a favorable business environment; suppression of unlawful interference of government bodies in the activities of businesses; improvement of the investment climate; decentralization and democratization of the public administration system; and expansion of public-private partnerships.

A number of previously announced regulatory reforms were implemented in 2017. These include regulations for improvement of the business environment (cancellation of unjustified

tax inspections, elimination of the mandatory sale of export earnings, and simplification of business registration and foreign trade procedures), the new law on combatting corruption, and establishment of the business Ombudsperson. Some of earlier announced reforms, such as introduction of a new tax and customs rules and currency exchange regulation, have yet to be implemented.

Previously implemented regulatory system reforms often left room for interpretation and were accordingly enforced subjectively. New or updated legislation continues to leave room for interpretation and contains definitions that are rather unclear. In many cases, private businesses still face difficulties associated with enforcement and interpretation of the legislation. More information on Uzbekistan's regulatory system can be reviewed at the World Bank's Global Indicators of Regulatory Governance (<http://rulemaking.worldbank.org/data/explorecountries/uzbekistan>).

International Regulatory Considerations

Uzbekistan is not a member of the WTO or any existing economic blocs. No regional or other international regulatory systems, norms, or standards have been directly incorporated or thoroughly referenced in Uzbekistan's regulatory system - although Uzbek officials often claim the regulatory system incorporates international best practices.

Legal System and Judicial Independence

The hierarchy of Uzbek law includes the Constitution of the Republic of Uzbekistan, constitutional laws, codes, ordinary laws, decrees of the president, resolutions of the Cabinet of Ministers, and normative acts. Existing legislation, which implies legal enforcement of contracts through economic courts or arbitral authorities, includes the Civil Code, the Law "About the Contractual Legal Base of Activities of Business Entities" (No. 670-I, issued August 29, 1998, and last revised in 2018), and a number of other decrees and resolutions.

The contractual law of Uzbekistan is established by the Law "About the Contractual Legal Base of Activities of Business Entities." It determines the legal basis of the conclusion, execution, change, and termination of economic agreements, the rights and obligations of business entities, and also the competence of relevant public authorities and state bodies in the field of contractual relations. Economic disputes, including intellectual property claims, can be heard in the lower-level Economic Court and appealed to the Supreme Court of the Republic of Uzbekistan. These courts' judges are appointed for five-year terms. This judicial branch also includes regional, district, town, city, Tashkent city (a special administrative territory) courts, and arbitration courts.

On paper, the judicial system in Uzbekistan is independent, but government interference and corruption are common. Government officials, attorneys, and judges often interpret legislation inconsistently and in conflict with each other's interpretations.

Court decisions or enforcement actions are appealable through a process that can be initiated in accordance with the Economic Procedural Code and other applicable laws of Uzbekistan.

Laws and Regulations on Foreign Direct Investment

Legislation protecting foreign investors includes the Law on Foreign Investments (№ 609-I, issued April 30, 1998, and last revised in 2017), the Law on Guarantees and Measures on Protection of Foreign Investments (№ 611-I, issued April 30, 1998, and last revised in 2017), the Law on Guarantees of the Freedoms of Entrepreneurial Activity (№ 69-II, issued May 25, 2000, and last revised in 2012), the Production Sharing Agreements Law, the Law on Investment Activity (№ 719-I, issued December 24, 1998, and last revised in 2013), the Presidential Decree on Additional Measures to Ensure the Accelerated Development of Entrepreneurial Activity, Comprehensive Protection of Private Property and Substantial Improvement of Business Climate (issued October 5, 2016), and a number of other decrees and resolutions.

In 2017, the President of Uzbekistan signed a number of decrees and resolutions related to foreign investments, including on Creation of the State Committee on Investments (March 31, 2017) and, most importantly, on Liberalization of the Currency Exchange Policy (September 2, 2017).

Competition and Anti-Trust Laws

Competition and anti-trust legislation in Uzbekistan is governed by the Law on Competition (ZRU-319, issued January 6, 2012, and last revised in 2018). The main entity that reviews transactions for competition-related concerns is the State Committee for Supporting Privatized Enterprises and Development of Competition. This government agency is responsible for developing a competitive environment, limiting monopolistic activities and regulating natural monopolies, reorganizing economically insufficient ventures, supporting the development of entrepreneurship, protecting consumer rights, and controlling advertising activities. There were no significant competition-related cases with the involvement of foreign investors over the past year.

Expropriation and Compensation

Formally, private businesses are protected by legislation against baseless expropriation, including the Law on Investment Activities and the Law on Guarantees of the Freedoms of

Entrepreneurial Activity. The government may seize foreign investors' assets due to violations of the law or for arbitrary reasons, such as a unilateral revision of an investment agreement, a reapportionment of the equity shares in an existing joint venture with an SOE, or a public works or social improvement project (similar to an eminent domain taking). By law, the government is obligated to provide fair market compensation for seized property.

Uzbekistan has a history of expropriations. Profitable, high-profile foreign businesses are at greater risk for expropriation, but smaller companies are also vulnerable. According to Uzbekistan's State Statistics Committee, authorities closed about 22,900 businesses in 2017, or about 86 percent of all businesses liquidated last year. In previous years, a number of large companies with foreign capital in the food processing, mining, retail, and telecommunications sectors faced expropriation. In cases where the property of foreign investors is expropriated for arbitrary reasons, the law obligates the government to provide fair compensation in a transferable currency. But in most of the cases the private property was expropriated based upon court decisions after the owners were convicted for breach of contract, failure to complete investment commitments, or other violations.

Decisions of Uzbekistan's Economic Court on expropriation of private property can be appealed in the Supreme Court of the Republic of Uzbekistan in accordance with the Economic Procedural Code or other applicable local law. Reviews usually are quite slow. Some foreign investors have characterized the process as unpredictable, non-transparent, and lacking due process.

Dispute Settlement

ICSID Convention and New York Convention

Uzbekistan is a member of the International Center for the Settlement of Investment Disputes (ICSID) and a signatory to the 1958 UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention).

In November 2006, the Constitutional Court of Uzbekistan issued its ruling that ICSID arbitration does not stipulate the consent of the involved parties to have their dispute settled at the international level. In practice, this means that Uzbek courts do not recognize foreign businesses' attempts to defend their interests in international courts unless all parties first give their consent in writing.

Investor-State Dispute Settlement

Dispute settlement methods are regulated by the Economic Procedural Code, the Law on Arbitration Courts, and the Law on Contractual Basics of Activities of Commercial Enterprises. The Law on Guarantees to Foreign Investors and Protection of their Rights requires that involved parties settle foreign investment disputes using the methods they define themselves,

generally in terms predefined in an investment agreement. Investors are entitled to use any international dispute settlement mechanism specified in their contracts and agreements with local partners, and these agreements should define the methods of settlement.

The Law on Guarantees to Foreign Investors and Protection of their Rights permits resolution of investment disputes in line with the rules and procedures of the international treaties to which Uzbekistan is a signatory, including the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the 1992 CIS Agreement on Procedure for Settling Disputes Arising Out of Business Activity, and other bilateral legal assistance agreements with individual countries. Currently there is no such treaty that covers U.S. citizens.

If the parties fail to specify an international mechanism, Uzbekistan's economic courts can settle commercial disputes arising between local and foreign businesses. The economic courts have subordinate regional and city courts. Complainants may seek recognition and enforcement of foreign arbitral awards pursuant to the New York Convention through the economic courts. When the court decides in favor of a foreign investor, the Ministry of Justice is responsible for enforcing the ruling.

Currently Uzbekistan does not have a Bilateral Investment Treaty (BIT) or a Free Trade Agreement (FTA) with an investment chapter with the United States. The governments of the United States and Uzbekistan signed a BIT in 1994, but ratification documents have not been exchanged and the agreement never entered into force.

Post is aware of numerous cases of commercial or investment disputes involving foreign investors. These have included asset seizures, expropriations, or liquidations; lengthy forced production stoppages; and pressure to sell off foreign shares in joint ventures. These cases have involved a variety of sectors, including food production, mining, telecommunications, and agriculture. Although government actions in such cases have been taken under the guise of law enforcement, some observers have claimed more arbitrary or extralegal motives were at play.

In 2013, local authorities initiated criminal investigations against the owners and senior executives of the Muzimpex Company, the local partner of the Coca-Cola Bottlers Uzbekistan joint venture, in which Coca-Cola owns 43 percent of the shares. In February 2014, the government liquidated Muzimpex and presently controls the shares of the company.

U.S.-owned Newmont Mining and the telecommunications company MCT both faced pressure from the Uzbek government to sell their shares in joint ventures in 2006; both agreed to sell them after lengthy legal disputes and neither has returned to Uzbekistan.

Local and non-U.S. foreign companies have also faced expropriation in the agriculture, mining and retail sectors. In September 2012, the Tashkent City Criminal Court seized the assets of cellular telecom provider Uzdurobita, a 100 percent subsidiary of the Russian company MTS, for financial crimes. An appeals court reversed this decision in November 2012, but upheld the \$600 million of fines imposed. MTS wrote off its total assets in Uzbekistan of \$1.1 billion and left the market. In 2013, the government transferred all MTS assets to a state-owned telecom operator after trying unsuccessfully twice to liquidate them. In 2014, MTS dropped legal proceedings against Uzbekistan and signed a settlement.

In October 2011, the government halted the production and distribution operations of a brewery owned by the Danish firm Carlsberg for dubious reasons. The interruption of business lasted 18 months before the company re-opened.

Earlier in 2011, the government initiated liquidation of the Amantaytau Goldfields, a 50-50 joint-venture of the British company Oxus Gold and an Uzbek state mining company.

In March 2011, government authorities also seized a large chain grocery store and approximately 50 smaller companies owned by Turkish investors.

Foreign investors should have no reasonable expectation that the government will honor an international arbitration verdict. The Constitutional Court of Uzbekistan ruled in 2006 that the written consent of all parties involved is required to recognize an international decision. There have been several cases, however, in which international arbitration awards were successfully collected.

Although in many cases investor-state disputes in Uzbekistan were associated with immediate asset freezes, almost all of them were followed by formal legal proceedings.

International Commercial Arbitration and Foreign Courts

Alternative dispute resolution institutions of Uzbekistan include arbitration courts (also known as Third-Party Courts), and a number of specialized arbitration commissions. Businesses and individuals can apply to arbitration courts only if they have a relevant dispute-settlement clause in their contract or a separate arbitration agreement. The Civil Procedural Code and the Commercial Procedural Code also have provisions that regulate arbitration.

The main domestic arbitration body is the Arbitration Court. General provisions of the Law on Arbitration Courts are based on principles of the UNCITRAL model law, but with some national specifics - namely that Uzbek arbitration courts cannot make reference to non-Uzbek laws. According to the Law, parties of a dispute can choose their own arbiter and the arbiter in turn chooses a chair. The decisions of these courts are binding. The Law says that executive or legislative bodies, as well as other state agencies, are barred from creating arbitration courts

and cannot be a party to arbitration proceedings. Either party to the dispute can appeal the verdict of the Arbitration Court to the general court system within thirty days of the verdict. Separate arbitration courts are also available for civil cases, and their decisions can be appealed in the general court system. Arbitration courts do not review cases involving administrative and labor/employment disputes.

Foreign arbitral awards or other acts issued by a foreign country can be recognized and enforced only if Uzbekistan has a relevant bilateral or multilateral agreement with that country. If international arbitration is permitted, awards can be challenged in domestic courts. However, currently local economic courts do not have a solid mechanism for enforcement of foreign courts' decisions. Foreign businesses may wish to consult with a local law firm in order to avoid delays or other unexpected outcomes of their cases in local economic and arbitration courts.

Most investment disputes with involvement of Uzbek state-owned enterprises (SOEs) reviewed by domestic courts have been suspended prior to a final decision due to plea bargains -or have been decided in favor of SOEs. When the court decides in favor of a foreign investor, the Ministry of Justice is responsible for enforcing the ruling. In some cases its authority is limited and co-opted by other elements within the government. Judgments against SOEs are particularly difficult to enforce.

Bankruptcy Regulations

The Law on Bankruptcy regulates bankruptcy procedures. Creditors can participate in liquidation or reorganization of the debtor only in the form of a creditor's committee. According to the Law on Bankruptcy and the Labor Code, an enterprise may claim exemption from paying property and land taxes, as well as fines and penalties for back taxes and other mandatory payments, for the entire period of the liquidation proceedings. Monetary judgments are usually made in local currency. Bankruptcy itself is not criminalized, but in August 2013, the GOU introduced new legislation on false bankruptcy, non-disclosure of bankruptcy, and premeditated bankruptcy cases. In its 2018 Doing Business report, the World Bank ranked Uzbekistan 87th out of 190 for the "Resolving Insolvency" indicator.

The main credit bureau operating in the market of Uzbekistan is Credit Bureau "Credit Information Analytical Center" (<http://infokredit.uz/>). The bureau was created in 2012 by the Uzbekistan Banks Association. The International Financial Corporation of the World Bank has been supporting improved creditor information maintenance through its Financial Infrastructure Development Project. One of the main goals of this project is to develop a credit information sharing system and thereby improve access to finance for entrepreneurs and small enterprises in Uzbekistan.

Industrial Policies

Investment Incentives

All investment incentives to foreign investors are regulated by national level legislation, which can be adopted only by the president. Regional and local governments have limited authorities to offer any additional preferences. Uzbek legislation provides a number of incentives for businesses qualified as enterprises with foreign investment. These include mainly various tax holidays and exemptions from customs and other mandatory duties and payments. However, new tax and customs legislation is currently under consideration and is expected to appear in July-August 2018.

Foreign Trade Zones/Free Ports/Trade Facilitation

The law on free economic zones, passed in 1996, envisaged the establishment of free trade zones, including consigned warehouses, customs-free zones, and zones for the processing, packing, sorting, and storage of goods. A Free Industrial and Economic Zone (FIEZ) was created in 2008 in the Navoi region; the Special Industrial Zone (SIZ) was established in 2012 in Angren City of Tashkent province; and the SIZ Jizzakh appeared in March 2013 in Jizzakh region, with a branch in Syrdarya region. Each economic zone was created for a period of 30 years from the date of its establishment, with the possibility of extension.

Businesses that invest in these zones were promised various incentives, including tax holidays; a special customs, currency, and tax regime; a simplified procedure for entering, staying, and leaving; and provisions by which non-residents can receive labor licenses. However, due to the slow improvement of the business climate in the country and other factors, these special zones failed to boost FDI. By the end of 2016, only \$223 million in total FDI had been attracted to these industrial zones.

A new Presidential Decree signed in October 2016 unified the legal and economic status of the FIEZ and SIZs and renamed them to Free Economic Zones (FEZ). In 2017, the government established a number of new FEZs raising their overall number to fourteen. Activities of FEZs are governed and coordinated by the FEZ Administrative Council.

The legislation identifies the following goals for FEZs:

- establishing unified and most favorable conditions for foreign investors;
- attraction of FDI to create modern production with high levels of local sourcing, ensuring substantial processing of local mineral resources and production of competitive products with high added value, promotion of industrial specialization of free economic zones and development of industrial cooperation;
- gradual transition to a “one window” principle in all free economic zones that provides for rendering all types of public services, including licensing procedures;

- development of production, engineering-communication, transport and social infrastructure, as well as development of modern infrastructure to provide high-quality logistics services;
- organization of training opportunities in higher and secondary special professional educational institutions with regard to current and future needs of FEZs for a skilled labor force.

All businesses operating in the territory of FEZs can now make foreign currency transactions with local vendors and expect the following privileges:

- Exemption from paying land tax, income tax, tax on property of legal entities, tax for accomplishment and development of social infrastructure, single tax payment for micro-firms and small enterprises, as well as obligatory contributions to the Republican Road Fund and off-budget Fund for Reconstruction of Schools, Colleges, Lyceums and Medical Institutions; and
- Exemption from customs payments (except customs clearance fees) for equipment, materials, and components imported to cover their own production needs, as well as for building materials that cannot be sourced in Uzbekistan for the projects approved by the government.

The validity of the above privileges depends on the amount of investment, accordingly:

- 3 years for investments from \$300,000 to \$3 million;
- 5 years for investments from \$3 million to \$5 million;
- 7 years for investments from \$5 million to \$10 million; and
- 10 years for investments of \$10 million and above, with a 50 percent reduction of income taxes for the subsequent 5 years.

Performance and Data Localization Requirements

There are several restrictions and quantitative limitations on employment of foreign nationals in Uzbekistan. The chief accountants in banking and auditing companies must be Uzbek nationals. The law also requires that either the CEO or one member of a board of directors be a citizen of Uzbekistan. In the tourism sector, only Uzbek nationals can be professional tour guides. All foreign citizens, except those from certain countries of the former Soviet Union, need visas to work in Uzbekistan and all individuals must register their residences with authorities. Legislation permits foreign investors and specialists to obtain multiple entry visas for the period of their contract. To apply for a visa, American citizens must submit documents regarding their company to an Uzbek embassy or consulate. American investors have complained in the past about the short validity of visas and the limited number of entries. We understand that practice is changing, but investors should specifically request multiple entry/longer term visas.

Foreign workers must also register with the Ministry of Employment and Labor Relations. The Agency on Foreign Labor Migration under the Ministry of Employment and Labor Relations is responsible for quantitative control over employment of foreign nationals in various industries. For example, the number of foreign nationals in energy companies that operate in the country under Production Sharing Agreement terms cannot exceed 20 percent of the total number of employees, and additional foreign personnel can be hired only if there is no qualified local labor.

Permission from the government is not required to invest in Uzbekistan, but the GOU's economic policy still maintains an intense focus on import substitution and export-oriented industrialization. Investors in non-priority sectors should expect less support in importing capital and consumer products than those in priority industries.

Uzbek legislation stipulates that the government must apply requirements to use domestic inputs in manufacturing uniformly to enterprises with domestic and foreign investments, but in practice, this is not always the case. There are no requirements for using only local sources of financing. The government welcomes foreign investors mainly in the areas of localization, building local production capacities, and developing export potential.

Legislation does not require data storage within the country, or transfer of technology or proprietary information; such transfers are negotiated between the foreign investor and its local partner.

To qualify as an enterprise or business with foreign investment and be eligible for tax and other incentives, the share of foreign investment must be at least 30 percent of the charter capital of a company. The investment must consist of hard currency or new equipment, delivered within one year of registering the enterprise. The minimum requirements for charter capital for certain incentives are:

- 1.6 billion Soum (\$196,000 as of March 2018) for joint-stock companies (except financial institutions);
- 600 million Soum (\$73,400 as of March 2018) for ventures in other sectors of the economy.

Uzbekistan does not have a uniform law on enforcement of performance requirements. Local authorities may use various enforcement procedures, including licensing, and inspections. Investors can be required to present long-term investment commitments with set target investments and job-creation goals before the government will approve their registration and licensing.

Tax incentives for foreign investment are essentially the same as for local enterprises participating in an investment, localization, or modernization program. Enterprises with

significant investment in priority sectors or registered in one of free economic or special industrial zones can expect additional benefits.

Protection of Property Rights

Real Property

Property ownership is governed by the Law on Protection of Private Property and Guarantees of the Owner's Rights. Uzbek and foreign entities may own or lease buildings, but not the underlying land. Mortgages are available for local individuals only, but not for legal entities. There are no mortgage and liens securities in Uzbekistan.

The World Bank ranked Uzbekistan 73th in the world in the Registering Property category of its 2018 Doing Business Report, up from 75 the previous year, indicating that the GOU has simplified some property-transfer procedures. More details can be reviewed here:

<http://www.doingbusiness.org/data/exploreeconomies/uzbekistan#registering-property>

All land in Uzbekistan is owned by the state. Legislation governing the acquisition and disposition of immovable property (buildings and facilities) poses relatively few problems for foreign investors and is similar to laws in other CIS countries. Immoveable property ownership is generally respected by local and central authorities. District governments have departments responsible for managing commercial real estate issues ranging from valuations to sale and purchase of immovable property.

Legally purchased but unoccupied immovable property can be nationalized for several reasons, including by an enforcement process of a court decision, past due debts for utility or communal services, debts for property taxes, and in some cases for security considerations. Unauthorized takeover of unoccupied immovable property by other private owners (squatters) is not a common practice in Uzbekistan. Usually authorities inspect the legitimacy of immovable property ownership at least once every year.

Moveable and immovable property, as well as rights to them, can be pledged to secure bank loan financing. However, there are some limitations for companies to issue debt securities. For example, there is a ban for securitization of immovable property for private limited liability companies. The government regulates circulation of debt securities, and mainly local financial institutions have used this instrument for attracting funds.

Intellectual Property Rights

While the concept of registering intellectual property (IP) is still new to Uzbekistan, the GOU recognizes intellectual property rights (IPR) protections as critical to its economic goals. As Uzbekistan prepares for accession to the World Trade Organization (WTO), its leaders have demonstrated increased political will to strengthen IPR legislation and enforcement

mechanisms. This represents a significant political shift towards improved IPR protections. In 2011, the GOU created the Uzbek Agency for Intellectual Property (IPA, <http://www.ima.uz/>), which unifies responsibility for IPR issues. Uzbekistan also introduced several amendments to IPR law, as well as amendments to civil and criminal codes to enforce stricter punishment for IPR violations. Uzbekistan is a consumer, but not a significant producer, of pirated material. The IPA is actively working with the World Intellectual Property Organization (WIPO) to develop a new national strategy for IPR. While Uzbekistan's patent and trademark protections are generally sufficient, there remain serious deficiencies in copyright protections.

There were no IP related laws or regulations enacted in 2017. Uzbekistan's new Customs Code (which came into force on April 22, 2016) allows rights holders to control the importation of intellectual property goods. The Code introduced a special Customs Record procedure, which is based on a database of legal producers and their distributors. In 2017, the IPA initiated measures to improve copyright protections and introduced new fines for copyright violations, legislative amendments, and stronger author protections. It has drafted the Law on Amendment to the Code of Administrative Procedure, which is currently under review. It is expected that the new law will introduce additional administrative sanction for IPR violations. On February 20, 2018, the GOU announced that a new Inspectorate under the Ministry of Information Technologies and Communications will have greater authority to monitor compliance and enforce copyright protections on the internet starting April 1, 2018. The GOU is also establishing a system of licensing for companies that sell software legally, in order to stem the flow of pirated software to the marketplace.

Because the IPA focuses on the policy and regulatory framework, it relies on other GOU entities to investigate and prosecute infringement cases. Through inspections in 2017, the General Prosecutor's Office discovered 654 businesses illegally selling audiovisual material, 19,000 cases of counterfeit audiovisual materials being sold via the internet, and 65 violators illegally distributing AV materials. Under current Uzbek law, the court considers copyright infringement cases only after the copyright holder submits a claim of damages. Similarly, for imported products, customs officials do not have an ex-officio function, and the onus is on the rights holder to initiate an action against a suspected infringer. Although historically Uzbekistan's judicial sector has had limited understanding of IPR issues, several positive court decisions on IPR cases on behalf of foreign companies occurred in 2017.

Uzbekistan has been on the Watch List of the U.S. Trade Representative's (USTR) Special 301 Report since 2000. Although Uzbekistan has taken important first steps to improve the protection of IPR and address concerns raised in previous USTR's reports, the country has to demonstrate measurable and sustained progress before removal from the Special 301 Watch List.

The country does not host a Notorious Market for pirated and counterfeited American products (as defined by the Office of the United States Trade Representative).

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Financial Sector

Capital Markets and Portfolio Investment

In general, the GOU has not made a priority of attracting portfolio investments, as it prefers what it calls “strategic investors,” capable of providing new technologies for local industries. A number of international fund management companies have worked in the country in the past, investing in various industries through the stock market or in the real estate and construction sectors. Most of these funds had left the market by 2010 due to capital losses brought about by the global financial crisis. The few portfolio managers remaining invest primarily in the insurance and leasing sectors.

Uzbekistan has its own stock market, which has been traded through Tashkent Stock Exchange, the main securities trading platform and the only corporate securities exchange. The stock exchange mainly hosts equity and secondary market transactions with shares of state-owned enterprises. In most cases, government agencies determine who can buy and sell shares and at what prices, and it is often impossible to locate accurate financial reports for traded companies.

Current economic policies have not facilitated the free flow of financial resources into the product and factor markets. In January 2017, the GOU announced its plans of using more stock market instruments in meeting its privatization targets.

Uzbekistan accepted IMF Article VIII in October 2003, and the government declared its full commitment to honoring its obligations under this article. However, in practice, businesses had limited access to foreign currency and faced persistent difficulties with currency conversion. This policy, which stimulated corruption in the banking sector and creation of a forex black market, was a major deterrent to investors. By the beginning of 2017, the Central Bank of Uzbekistan (CBU) had created a roadmap for transition to a system of free currency exchange. Starting in mid-July, some local banks were allowed to sell foreign non-cash currency to their corporate clients at so-called “commercial rates” (which were almost twice the official rate), although this was not widely advertised. Effective September 5, the GOU eliminated the difference between the artificially low official rate and the black market exchange rate, and formally allowed unlimited non-cash forex transactions for businesses. Now businesses face no difficulties with implementing payments and transfers for current international transactions.

Formally, foreign investors are able to get credit on the local market. The private sector has access to a restricted variety of credit instruments and the isolated and overregulated financial system yields unreliable credit terms. Access to foreign banks is limited and is usually only granted through their joint ventures with local banks. Commercial banks can, to a limited degree, use credit lines from international financial institutions to finance small and medium businesses.

Money and Banking System

There are 28 commercial banks, including 3 state-owned banks; 12 partly state-owned joint-stock banks; 5 banks with foreign capital; and 8 private banks. Commercial banks have over 4,600 branches and retail offices throughout the country.

The low exposure of Uzbekistan's banking system to global financial markets shields the sector from global financial market volatility. Large state-owned banks control about 60 percent of the sector's total assets and capital and are virtually agents of the government in implementing its development strategy. Privately owned commercial banks are relatively small niche players. The average capital adequacy ratio of local banks is 18.8%, and the current liquidity rate is 64.4%. Moody's international rating agency stated that continuing economic recovery and maintaining high state support will help the banking sector of Uzbekistan to overcome difficulties related to the accelerated devaluation of the national currency. Banks are closely monitored by the government, which imposes requirements to perform non-core functions, such as tax withholding and client financial oversight, which keeps confidence in the banking sector very low.

Official information on non-performing assets is not publicly available. According to latest available official statistics, the share of nonperforming loans to total gross loans was about 0.4 percent in 2017, while Moody's estimations were about 2.5 percent. A majority of Uzbek commercial banks have earned "stable" ratings from international rating agencies.

In January 2018, the banking sector's capitalization was about \$4.6 billion and the value of total bank assets in the whole country was equivalent to \$32.5 billion. Included in this amount are the assets of the three largest state-owned banks, which together hold about \$21 billion.

Uzbekistan maintains a central bank system. The Central Bank of Uzbekistan (CBU) is the state issuing and reserve bank and central monetary authority. The bank is accountable to the Supreme Council of Uzbekistan and is independent of the executive bodies (organization chart of the bank is available here: <http://www.cbu.uz/en/>).

In general, any banking activity in Uzbekistan is subject to licensing and regulation by the Central Bank of Uzbekistan. Foreign banks prefer establishing joint-ventures with local

financial institutions. Currently there are five banks with foreign capital operating in the market, and six foreign banks have accredited representative offices in Uzbekistan, but do not provide direct services to local businesses and individuals. Information about the status of Uzbekistan's correspondent banking relationships is not publicly available.

Foreigners and foreign investors can establish bank accounts in local banks without restrictions. They also have access to local credit, although the terms and interest rates do not represent a competitive or realistic source of financing.

In February 2018, the GOU announced its plans to allow bitcoin use and develop blockchain technologies. The CBU, the Ministry of Information Technologies and Communications, the Ministry of Finance and the Ministry of Economy will prepare new legislation on cryptocurrencies by September 2018. The GOU is working on creation of a new Center for Distributed Ledger Technologies in the Mirzo Ulugbek Innovation Center of Tashkent. The Center will be opened by June 1, 2018 and work on development of blockchain technologies.

At present, 29 microcredit institutions and 47 pawn shops provide alternative financial services in Uzbekistan. Non-banking microcredit organizations (MCO) were permitted in Uzbekistan in 2002. MCOs cannot provide loans in cash, nor can they make consumer loans or attract private funding by offering deposit account services. The segment is relatively small and does not meet the demand for micro financing. Clients of these MCOs are typically building materials importers and farmers growing export-oriented crops. Legislation on pawnshops or Lombard banking was passed in 2003. Pawnshops offer small loans in cash, and the majority of their clients are individuals and labor migrants seeking to finance their relocation.

Foreign Exchange and Remittances

Foreign Exchange Policies

Uzbekistan adopted Article VIII of the IMF's Articles of Agreement in October 2003 and, thus, committed to currency convertibility for current account transactions. However, implementation of the country's obligations under this article only began in September 2017. Formally, foreign investors are guaranteed the ability to transfer funds in foreign currency into and out of Uzbekistan without limitation, provided they have paid all taxes and other financial obligations in accordance with legislation. Local authorities may stop the repatriation of a foreign investor's funds in cases of insolvency and bankruptcy, criminal acts by the foreign investor, or when directed by arbitration or a court decision. New legislation on liberalization of currency exchange is expected by the end of 2018.

The exchange rate is determined by the CBU, which insists that it is based on free market forces (8,077 soum per U.S dollar as of April 20, 2018). The CBU officials said that they have

not used and are not going to use reserves (\$26.6 billion by the end of 2017) to support the local currency through interventions in the forex market. After the almost 100% devaluation of the national currency in September 2017, the exchange rate has been remarkably stable.

Remittance Policies

On 2 September 2017, President Mirziyoyev signed a decree "On Priority Measures for Liberalization of Monetary Policy." The decree removed most currency exchange restrictions, as of September 5, 2017. All business entities can now purchase foreign currency in commercial banks without restrictions for current international transactions, including import of goods, works and services, repatriation of profits, repayment of loans, payment of travel expenses and other transfers of a non-trade nature. Individuals are able to sell foreign currency cash to banks, but purchases of foreign currency are deposited onto debit cards that can only be used abroad. All payments in foreign currency within the country are prohibited. The president also abolished the requirement for businesses to exchange 25 percent of their foreign currency earnings for local currency through authorized banks. A new law on currency regulations is under development.

Banking regulations mandate that the currency conversion process should take no longer than two weeks. A few months after adoption of the above-mentioned Presidential Decree on Monetary liberalization, businesses reported that they observed no delays with conversion and remittance of their investment returns including dividends; return on investment, interest and principal on private foreign debt; lease payments; royalties; and management fees.

Sovereign Wealth Funds

The Fund for Reconstruction and Development (FRD) of Uzbekistan serves as a sovereign wealth fund. Uzbekistan's Cabinet of Ministers, Ministry of Finance, and the five largest state-owned banks were instrumental in establishing the FRD, and all of those institutions have membership on its Board of Directors. The equity of the FRD had grown to about \$15 billion by 2015, up from \$1 billion in 2006. The GOU plans to raise the FRD's equity up to \$25 billion by 2020.

The fund does not follow the voluntary code of good practices known as the Santiago Principles, and Uzbekistan does not participate in the IMF-hosted International Working Group on sovereign wealth funds. The GOU established the FRD in 2006, using it to sterilize and accumulate foreign exchange revenues, but officially the goal of the FRD is to provide government-guaranteed loans and equity investments to strategic sectors of the domestic economy.

The FRD does not invest, but instead provides debt financing to SOEs for modernization and technical upgrade projects in sectors that are strategically important for the Uzbek economy. All FRD loans require government approval.

State-Owned Enterprises

State-owned enterprises (SOEs) dominate those sectors of the economy recognized by the government as being of national strategic interest. These include energy (power generation and transmission, and oil and gas refining, transportation and distribution), metallurgy, mining (ferrous and non-ferrous metals and uranium), telecommunications (fixed telephony and data transmission), machinery (the automotive industry, locomotive and aircraft production and repair), and transportation (airlines and railways).

Some large state-owned companies engaging in commercial activities act as government institutions. The Law on Privatization and Denationalization, with a number of subordinate acts, contains a list of sectors/industries where the GOU has banned participation of private businesses.

The GOU created some of its largest SOEs by simply renaming existing government entities and, in some cases, those enterprises still exercise governmental powers. For example, Uzbekneftegaz National Holding Company dominates the oil and gas industry and foreign investors need its approval to do business in the sector, although there is no legislative mandate for this power. Most SOEs register as joint-stock companies, and a minority share in these companies usually belongs to employees or private enterprises.

Although SOEs have boards of directors, typically one or more members will be a government official, and senior executives report directly to relevant ministries or the Cabinet of Ministers. Generally, SOEs must consult with the government before making significant business decisions.

The government owns majority or blocking minority shares in numerous non-state entities, ensuring substantial control over their operations, as it retains the authority to regulate and control the activities and transactions of any company in which it owns shares.

The published list of major Uzbek SOEs is available on the official GOU website (for large companies and banks): http://www.gov.uz/en/pages/government_sites. The Center for Management of State-owned Assets under the State Committee for Supporting Privatized Enterprises and Development of Competition is responsible for management of state-owned assets (<http://gkk.uz/en>).

In theory, private sector or foreign companies can be more competitive than local SOEs in sectors that are not under the control of state-owned monopolies, but regulations make them

dependent on government SOEs. For example, in 2004 the government granted exclusive control of the country's international telecommunication networks to the state-owned Uztelecom Company. This forces all providers of voice and data transmission services, including internet and IP-telephony, to use only Uztelecom switches to access long-distance and international channels. In addition to technical restrictions, the providers must also conduct their financial transactions with international partners through Uztelecom.

There is no third-party market analysis on SOEs' ties to the government. By law, SOEs are obligated to operate under the same tax and regulatory environment as private businesses. In practice, however, private enterprises do not enjoy the same terms and conditions. The government leverages registrations, licensing, and access to some commodities and utilities to protect quasi-governmental institutions and companies from commercial competition. Private businesses face more than the usual amount of bureaucratic hurdles if they compete with the government or a government-controlled firm. Furthermore, a heavy tax burden also limits competitiveness of private firms (according to the World Bank's latest Doing Business report, Uzbekistan holds 78th place among 190 ranked economies of the world in the Paying Taxes indicator). Most SOEs have a range of advantages, including various tax holidays, as well as better access to commodities, utility supplies, local and external markets, and smoother access to financing. Additionally, SOEs are usually not subject to legislative budget constraints unless they are in low-priority industries.

At present, Uzbekistan does not adhere to the OECD Guidelines on SOE Corporate Governance. Although the Law on Openness of State Bodies was adopted in May 2014, local SOEs and the Fund for Reconstruction and Development of Uzbekistan do not often publish annual reports. State-owned businesses and financial institutions are required to submit annual reports to the government, but they are not required to publish them. Local state-owned enterprises in the financial sector are required to submit their financial records for independent audit, as well. SOEs, as well as other Uzbek entities, are subject to domestic accounting standards and rules, which are still not fully comparable with International Financial Reporting Standards (IFRS). Nevertheless, Uzbekistan gradually has brought about 90 percent of its domestic accounting standards into IFRS compliance.

Privatization Program

Uzbekistan claims that it subscribes to an ongoing process of institutional and economic reform, such as restructuring and privatization. Uzbekistan's Development Strategy for 2017-2021, the main policy paper of the government, says that further expansion and simplification of procedures for privatization of state-owned assets, reduction of public shares capital of business entities, creation of favorable conditions for the development of private enterprises, and privatization must be considered as one of policy goals. According to official reports, 542 state owned enterprises and facilities were privatized in 2017. Privatization earnings of the state budget were equivalent to \$44.6 million. Availability of state-owned assets for

privatization can be reviewed here: <https://gkk.uz/ru/deyatelnost/direction/privatization>. A government decree issued on January 17, 2017, created additional incentives for privatization of unused state assets. Privatization of non-strategic assets does not require government approval and can be cleared by local officials. The payment terms have been extended from two to three years. Within five years, investors must have fully fulfilled their investment commitments.

At the end of December 2015, the GOU set a requirement for joint stock companies registered in Uzbekistan to have at least a 15 percent share owned by foreign investors. Foreign shareholders of local joint stock companies were exempted from paying taxes on dividends before January 1, 2020. Exceptions were made for companies that produce and process primary strategic raw materials, natural monopolies, and suppliers of socially important goods and services at state-regulated prices. Follow up decrees issued in August 2016 and January 2017 (http://lex.uz/pages/getpage.aspx?lact_id=3016179) established a list of 102 state owned companies for which minority shares would be offered to foreign investors in a partial privatization. Despite widespread publicity in the beginning of 2017, the GOU has not reported the progress and actual results of this program.

Large privatization deals with the involvement of foreign investment require approval of the State Tender Commission (STC) in line with GOU Resolution 279, issued in October 2014 and last modified in October 2017. The main mechanisms for selling state assets are usually open tender or auction, but often the process is transparent only at the initial stage.

In general, Uzbekistan has made limited progress in privatization since 1998, when the government declared a policy of institutional and economic reforms in order to attract more investment into the country. The GOU has banned privatization of large state-owned enterprises, such as international telecommunications providers, power generation and distribution companies, railways and airlines, explaining that these have national strategic interest. Usually state assets offered for privatization consist of auxiliary or ineffective enterprises and unprofitable public facilities. Many investors note a lack of transparency at the final stage of the bidding process, when the government negotiates directly with bidders before announcing the results. In some cases, the bidders have been foreign-registered front companies associated with influential Uzbek families.

Responsible Business Conduct

There is no legislation on responsible business conduct (RBC) in Uzbekistan, and the concept has not been widely adopted, though many companies are active in charity activities, either through their own initiative or as mandated by local government officials.

Relevant government agencies and departments inspect both newly registering and operating local businesses and enterprises for enforcement of the Labor Code in respect to labor and

employment rights; the Law on Protection of Consumer's Rights for consumer protections; and the Law on Protection of Nature for environmental protections. Labor or environmental laws and regulations are not waived for enterprises with private and foreign investments.

Legislation, including the Law on Joint-Stock Companies and Protection of Shareholder's Rights, issued in 1996 and last updated in 2018, sets a range of standards to protect the interests of minority shareholders.

The Law on the Securities Market requires businesses that issue securities (except government securities) to publish annual reports, which should include a summary of business activities for the previous year, financial statements with a copy of an independent audit, and material facts on the activities of the issuer during the corresponding period.

There are no independent NGOs, investment funds, worker organizations/unions, or business associations promoting or monitoring RBC in Uzbekistan.

At present, Uzbekistan does not adhere to the OECD guidelines regarding responsible supply chains of minerals from conflict-afflicted and high-risk areas, and there has been no substantial evidence to suggest that the government encourages foreign and local businesses to follow generally accepted CSR principles such as the OECD Guidelines for Multinational Enterprises. The country also does not participate in the Extractive Industries Transparency Initiative (EITI).

Corruption

Uzbekistan's legislation and Criminal Code both prohibit corruption. On January 3, 2017, President Mirziyoyev approved the law "On Combating Corruption." The law is intended to raise the efficiency of anti-corruption measures through consolidation of efforts of government bodies and the civil society in preventing and combating cases of corruption, attempted corruption, and conflict of interest, ensuring punishment for such crimes.

The government prosecutes a number of officials under anti-corruption laws every year, and punishment can vary from a fine to imprisonment with confiscation of property.

The new law "On Combating Corruption" has clear definitions for conflict of interest and purported corruption. On January 8, 2018, the President has approved the law "On Administrative Procedures", which will enter into force in January 2019. The law establishes organizational and legal requirements for activities of the GOU's executive bodies, should improve transparency in relations between the government and private businesses. The GOU also considers further improvement of the legislation to reduce administrative barriers in public-private interactions, and ensure transparency in accessing public resources. Drafts of

laws "On Public Procurement" and "On State-Private Partnership" are currently under public review. Their adoption is expected in 2018.

Currently all government procurements have to go through open tender process. Procurement contracts with involvement of public funds or performed by state enterprises with values of over \$100,000 needs a clearance by relevant government agencies. However, the process of awarding contracts has not always been transparent.

The law "On Combating Corruption" prescribes a range of measures for preventing corruption, including through raising public awareness and introduction of transparent rules for public-private interactions. The law, however, does not encourage companies to establish relevant internal codes of conduct.

Currently only a few local companies created by or with foreign investors have effective internal ethics programs.

Uzbekistan is not a participant in any local or regional anti-corruption initiatives. The country ranked 157 out of 180 rated countries in Transparency International's 2017 Corruption Perceptions Index.

The very few officially registered local NGOs usually do not investigate corruption cases. The law "On Combating Corruption" encourages more active involvement of NGOs and civil society in investigation and prevention of crimes related with corruption.

U.S. businesses have cited corruption and lack of transparency in bureaucratic processes, including public procurements and licensing, among the main obstacles to foreign direct investment in Uzbekistan.

Some international and local auditing and consulting companies may provide services that include due diligence surveys of local companies. The U.S. Embassy in Tashkent (www.uz.usembassy.gov) can do customized company profiles under its Post Partnership Agreement with the Department of Commerce. There are no local non-profit groups that offer services for vetting potential local investment partners.

Resources to Report Corruption

The main arms of the government tasked with fighting corruption are the Prosecutor General's Office and the Department for Legal Protection of Entrepreneurs and Foreign Investors under the Ministry of Justice (established in February 2016). Currently, no international or local nongovernmental watchdog organizations have permission to monitor corruption in Uzbekistan.

Contact information for the office of Uzbekistan’s Prosecutor General:

- Address: 66, Akademik Gulyamov St., 100047, Tashkent, Uzbekistan
- Website: www.prokuratura.uz
- Hotline telephone numbers: +998(71) 1007, 232-4391, 232-4550,

Contact information for the office of Uzbekistan’s Ministry of Justice:

- Address: 5, Sayilgoh Street, 100047, Tashkent, Uzbekistan
- Website: <http://www.minjust.uz/en/>
- Hotline telephone numbers: +998(71) 1008, 233-4768, 236-0509

Political and Security Environment

Although there are supporters in Uzbekistan of extremist groups such as the Islamic Movement of Uzbekistan (IMU), al-Qaida, and the Eastern Turkistan Islamic Movement in Central Asia, the GOU has made it a priority to limit the activities of these groups, which have all expressed anti-U.S. sentiments.

In light of domestic and international threats, the government has implemented heightened security measures, such as police sorties and patrolling of public places. The border between Uzbekistan and Afghanistan is officially open to traffic, but some travel restrictions for the region remain in place.

Labor Policies and Practices

Uzbekistan has the largest labor force in the region - potentially about 19 million, or 60 percent of the country’s total population. About 65 percent of the population is under age 30. With the closure or downsizing of many businesses, it is easy to find qualified employees, and salaries are low by Western standards. According to government and alternative statistics, 14 percent of the population live below the poverty level, 5.8 percent are unemployed, and approximately 48 percent of the employed population have low-productivity and low-income jobs. Accordingly, Uzbekistan is the largest supplier of labor migrants among former Soviet Union republics. Russia and Kazakhstan have served as social “relief valves,” together providing jobs for nearly three million Uzbek labor migrants.

About 40 percent of the locally employed population works in the non-agricultural private sector, where the share of the informal economy is quite considerable. Heavy tax burdens, debilitating trade restrictions, and widespread corruption drive many legitimate companies to conceal their business records. The GOU officials and local experts estimate that the informal economy makes up as much as 50 percent of GDP.

At 97 percent, literacy is nearly universal, but most local technical and managerial training does not meet international business standards. Foreign firms report that younger Uzbeks are more flexible in adapting to changing international business practices, but are also less educated than their Soviet-trained elders. Widespread corruption in the education sector has lowered educational standards as students purchase grades and even admittance to prestigious universities and lyceums.

Legislation requires companies to hire Uzbek nationals for specified positions in banking and auditing companies. The chief accountant must be an Uzbek national, as should either the CEO or any one member of the board of directors. Only Uzbek nationals can be tour guides.

According to Uzbekistan's Labor Code, labor-management relations should be formalized in a fixed-term or temporary employment contract. The maximum length of a single fixed-term contract is 5 years (<http://www.doingbusiness.org/data/exploreeconomies/uzbekistan/labor-market-regulation>). The Labor Code and subordinate labor legislation differentiate layoffs and firing. Employees can terminate their employment by filing two-week prior written notice, or apply for leave without pay. Layoff or temporary leaves without pay can be initiated by an employer due to worsening of the economic situation. For firing (severance), the employer should personally give two months' advance notice in the case of corporate liquidation or optimization, two weeks' advance notice in the case of an employee's incompetence, and three days' advance notice in the case of an employee's malpractice or unacceptable violations. In case of severance caused by corporate liquidation or optimization, an employee should receive compensation, which should not be less than two average monthly salaries paid during his employment plus payment for unused leave (if another form of compensation was not agreed to in the employment contract). In reality, however, many businesses choose to avoid signing formal contracts with employees, especially those involved in seasonal agricultural works, which leads to widespread labor rights violations.

Officially, labor legislation cannot be waived or applied differently for private or foreign-owned enterprises, including those that operate in free and special economic zones.

The state-run Board of the Federation of Trade Unions of Uzbekistan incorporates more than 37,600 primary organizations and 14 regional trade unions, with official reports of 60 percent of employees in the country participating. The Office of the President appoints the leaders of the federation; union boards are not involved in electing these leaders to their positions. All regional and industrial trade unions at the local level are state-managed.

By law, all employees of either local or foreign-owned enterprises operating in Uzbekistan have the following rights to:

- fair and timely payment of wages that should not be less than minimum monthly salary amounts set by the government;
- a standard workweek of forty hours, with a mandatory rest period of twenty-four hours and annual leave;
- overtime compensation as specified in employment contracts or agreed to with an employee's trade union, which can be implemented in the form of additional pay or leave. The law states that overtime compensation should not be less than 200 percent of the employee's average monthly salary rate (broken down by hours worked). Additional leave time should not be less than the length of actual overtime work;
- working conditions that meet occupational health and safety standards prescribed by legislation;
- compensation of any health or property damages incurred as a result of professional duties through an employer's fault;
- professional training;
- formation and joining of labor unions;
- pensions; and
- legal support in protection of workers' rights.

There is no single state institution responsible for labor arbitration. The general court system, where civil and criminal cases are tried, is responsible for resolving labor-related disputes. This can be done on a regional or city level. Formally, workers can file their complaints through the Prosecutor General's Office. The Ministry of Employment and Labor Relations should provide legal support to employees in their labor disputes.

The law neither provides for nor prohibits the right to strike. In recent years, workers in state-owned energy and mining enterprises conducted strikes, demanding timely distribution of salaries. Reportedly, authorities agreed to negotiate, and eventually addressed most of the workers' concerns. There is no public information about the role of official unions in these negotiations.

Although employees in Uzbekistan enjoy many rights by law, in practice these laws are subject to arbitrary and inconsistent interpretation. For example, the law prohibits compulsory overtime – and only 120 hours of overtime per year are permitted. In practice, overtime limitations are not widely observed and compensation is rarely paid. Wage violations have become quite common in recent years.

14 conventions of the UN's International Labor Organization (ILO) are officially in force in Uzbekistan:

Forced Labor Convention;

Freedom of Association and Protection of the Right to Organize Convention

Right to Organize and Collective Bargaining Convention;
Equal Remuneration Convention;
Abolition of Forced Labor Convention;
Discrimination [Employment and Occupation] Convention;
Minimum Age Convention;
Worst Forms of Child Labor Convention;
Employment Policy Convention;
Forty-Hour Week Convention;
Holidays with Pay Convention;
Maternity Protection Convention [Revised];
Workers' Representatives Convention; and
Collective Bargaining Convention.

In 2016, Uzbekistan also ratified ILO Social Security [Minimum Standards] Convention. It is scheduled to enter into force by the end of 2018. The most recent observations of the ILO's Committee of Experts on the Application of Conventions and Recommendations (CEACR) can be reviewed here:

http://www.ilo.org/dyn/normlex/en/f?p=1000:13201::NO:13201:P13201_COUNTRY_ID:103538

The law prohibits all forms of forced or compulsory labor, including by children, except as legal punishment for offenses such as robbery, fraud, or tax evasion, or as specified by law. Uzbekistan has eliminated the systematic use of child labor in the annual cotton harvest and has implemented reforms to significantly improve its record on adult forced labor. Uneven implementation and lack of capacity and resources in remote regions, however, leads to isolated cases of child labor and forced mobilizations of about 336,000 cotton pickers. The Ministry of Employment and Labor Relations establishes and enforces occupational health and safety standards in consultation with unions, but anecdotal reports suggest that enforcement is not effective. Although regulations provide for safeguards, workers in hazardous jobs often lack protective clothing and equipment. Labor inspectors conduct routine inspections of small and medium-sized businesses once every four years, and inspect larger enterprises once every three years. The ministry or a local governor's office have traditionally been able to initiate a selective

inspection of a business, typically in response to an accident or complaint; however, a decree issued in October 2016 seeks to eliminate unlawful, surprise business inspections.

In 2017, the Labor Code and a number of regulations thereunder went through minor modifications mainly related with new rules for employment of local citizens abroad and renaming of the Ministry of Labor to the Ministry of Employment and Labor Relations.

Uzbekistan participates in the U.S. Generalized System of Preferences (GSP) trade program, which provides beneficiary countries with unilateral preferential U.S. market access for eligible products. However, Uzbekistan is the subject of a country practice petition on labor issues (as well as one on intellectual property rights). The Office of the U.S. Trade Representative (USTR) manages the GSP program and is currently conducting an assessment of Uzbekistan's compliance with the statutory eligibility criteria. USTR continues to engage with the Government of Uzbekistan on its compliance with GSP criteria to build on the progress that Uzbekistan has made in these areas and implement the necessary standards and protections required for continued access to GSP benefits.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) began working in Uzbekistan in 1992 and has loaned approximately \$229 million over the course of its operations in Uzbekistan, but had no projects in FY2017. Uzbekistan is a developing country member of the Multilateral Investment Guarantee Agency.

Some foreign governments, primarily Chinese, South Korean and Japanese, provide significant business facilitation and export financing support to their firms in the Uzbek market. The Chinese government provides investment and trade financing through Chinese Export-Import Bank, China Development Bank, China-founded Asian International Infrastructure Bank and other institutions. The South Korean Development Bank and Export-Import Banks also provide export financing to Korean companies. The Korean International Cooperation Agency has an active representation in Uzbekistan. The Japan External Trade Organization (JETRO), Japan Bank for International Cooperation and other financial institutions are supporting Japanese businesses in the country. In 2017, Chinese exports to Uzbekistan exceeded \$2.7 billion and South Korean - \$1.2 billion, while imports from the U.S were only \$182 million.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Note: In many instances below (indicated by "N/A"), no data has been published by the Government of Uzbekistan, and independent assessments and estimations are also not available. The GOU includes foreign debt inflow in FDI figures. In some reports the GOU may also indicate contractual pledges of FDI, rather than actual investment inflow.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2017	\$57.1 billion*	2017	N/A	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2017	N/A	2017	N/A	
Host country's FDI in the United States (\$M USD, stock positions)	2017	N/A	2017	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2017	N/A	2017	N/A	Calculate, and then delete this text

*Source: The State Statistics Committee of Uzbekistan

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	Amount	100%	Total Outward	Amount	100%
Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
Country N/A	Amount	N/A	Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A	Country N/A	Amount	N/A
Country N/A	Amount	N/A	Country N/A	Amount	N/A	Country N/A	Amount	N/A

Contact for More Information

Contact at the U.S. Embassy in Tashkent:

J. Laurence Wright II
 Economic and Commercial Officer
 3, Maykurgan St., Yunusabad District, 100093, Tashkent, Uzbekistan
 Telephone Number: +998-71-140-2130
 Email address: BusinessInUzbekistan@state.gov.

Trade & Project Financing

Methods of Payment

The most common methods of payment in Uzbekistan are Telegraph Transfer and Letters of Credit. According to Uzbek legislation, local importers cannot pay more than a 15 percent down payment without permission from the Ministry of Foreign Trade (MFT). The full contract amount (or remaining 85 percent of it) can be paid only after delivery of imported goods or services. For the last few years, instant money wire transferring service has developed steadily and there are more than 10 money transfer systems presently operating in Uzbekistan. The LLC Credit Bureau was established in 2000 as a subsidiary of "Credit Information Bureau" in the Uzbekistan Banking Association to provide a credit information system to users and institutions.

Banking Systems

The banking system in Uzbekistan remains closely controlled by the state through a complex set of regulatory actions, decrees, proclamations, and practices. Most banking assets remain in state-owned or controlled banks, and most loans are directed or channeled by the government to develop certain pre-selected industry sectors. The banking sector includes three state banks (NBU, Halq Bank, Asaka Bank), eleven joint stock-commercial banks, eight private banks, and five banks with foreign investments (Savdogar Bank, Hamkorbank, KDB Bank Uzbekistan, Utbank, Saderat Bank).

The slow pace of reform in the banking system limits the role banks can play as financial intermediaries, thus inhibiting the ability of citizens or private companies to obtain credit and other banking services. Joint ventures often require supplemental local financing to complete projects. Although Uzbek law guarantees the Central Bank's independence, this independence is, in fact, only nominal. The Central Bank is unable to enforce bank regulations properly, leaving banks free to operate with little regard for applicable banking regulations or fiscally sound practices. Government influence over the banking sector is significant.

Foreign Exchange Controls

Uzbekistan adopted Article VIII of the IMF's Articles of Agreement in October 2003 and, thus, committed to currency convertibility for current account transactions. However,

thoroughgoing implementation of the country's obligations under this article only began in September 2017, when the GOU eliminated the difference between the artificially low official rate and the black market exchange rate, and formally allowed unlimited non-cash forex transactions for businesses. Formally, foreign investors are guaranteed transfer of funds in foreign currency into and out of Uzbekistan without limitation, provided they have paid all taxes and other financial obligations in accordance with legislation. Local authorities may stop the repatriation of a foreign investor's funds in cases of insolvency and bankruptcy, criminal acts by the foreign investor, or when directed by arbitration or a court decision. The new legislation on liberalization of currency exchange is expected by the end of 2018.

The exchange rate determined by the CBU, which insists that it based on the balance of current supply and demand (7,910 soum per U.S dollar as of June 2018). The CBU officials said that they have not used and are not going to use reserves (\$27 billion by June 1, 2017) to support the local currency through interventions in the forex market. After the almost 100% devaluation of national currency in September 2017, the exchange rate has been stable.

US Banks & Local Correspondent Banks

The National Bank of Uzbekistan (NBU) and Asaka Bank are the main financial gateways between Uzbekistan and the rest of the world; they are the primary channels for the inflow, distribution and servicing of foreign financing and investments. These banks have correspondent relations with Citibank, Bank of America, American Express Bank, JP Morgan Chase, and other U.S. banks.

Project Financing

There are several sources for funding procurement projects in Uzbekistan. They include government agencies, international financial institutions, publicly- and privately-financed investment funds directed towards defense conversion, venture capital funds, and grant programs. Procurement of equipment and services is either financed directly from the national budget, with financing through international financial institutions, or through assistance from various export-import banks. Uzbekistan is a member of the European Bank for Reconstruction and Development, the World Bank, the Islamic Development Bank, and the Asian Development Bank. Financing from private international banks is growing, but still uncommon for large-scale projects. In most cases, the potential contractor or exporter offers

the government financing sources for a specific project, such as long-term loans with attractive terms and conditions. Uzbekistan has also established its own development bank, the Fund for Reconstruction and Development of Uzbekistan, which finances or co-finances most large-scale projects in the country.

Multilateral Development Banks:

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, Asian Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the European Bank for Reconstruction and Development (<http://export.gov/ebrd>), the Asian Development Bank (<http://export.gov/adb>) and the World Bank (<http://2016.export.gov/worldbank/>).

Web Resources

Commercial Liaison Office to the European Bank for Reconstruction and Development
<http://export.gov/ebrd>

Commercial Liaison Office to the Asian Development Bank
<http://www.export.gov/adb/>

Commercial Liaison Office to the World Bank <http://2016.export.gov/worldbank/>

Financing Web Resources

- Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team: <https://www.export.gov/tradefinanceguide>
- Export-Import Bank of the United States: <http://www.exim.gov>
- Country Limitation Schedule: <http://exim.gov/tools-for-exporters/country-limitation-schedule>
- OPIC: <http://www.opic.gov>
- Trade and Development Agency: <http://www.ustda.gov/>
- SBA's Office of International Trade: <http://www.sba.gov/oit/>
- USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/about-fsa/structure-and-organization/commodity-credit-corporation/index>
- U.S. Agency for International Development: <http://www.usaid.gov>
- Asian Development Bank: www.adb.org
- World Bank: www.worldbank.org
- Banks of Uzbekistan: www.bank.uz
- U. S. Embassy in Uzbekistan: www.uzbekistan.usembassy.gov
- U. S. Commercial Service: www.export.gov
- American Chamber of Commerce Uzbekistan: www.amcham.uz
- Chamber of Commerce and Industry of Uzbekistan: www.chamber.uz
- Government of Uzbekistan: www.gov.uz

Business Travel

Business Customs

Obtaining an appointment with government officials can be difficult, and appointments very often go unconfirmed until only hours before their scheduled times. Persistence and patience are essential. If possible, print business cards and company literature in the Uzbek or Russian languages. It is important to learn the titles of those with whom you plan to meet; such distinctions are important in Uzbek culture. Only close friends or relations refer to one another by their first name.

Tashkent is a cosmopolitan city where most modern dress is accepted. However, local norms for dress in bazaars, the old part of Tashkent, and outside the city tend toward traditionally modest styles. Visiting business people should wear business suits for official meetings; casual wear such as khakis is appropriate for most social situations, and jeans are acceptable for sightseeing and shopping.

Uzbeks take pleasure in giving and receiving gifts. Inexpensive gifts do not have to be wrapped, while expensive ones should be. When meeting with senior government officials, avoid giving gifts such as pencils, pens, lighters (unless they are expensive ones), poor quality wine or vodka, paper notebooks, or other items of this nature. It is considered bad luck to give a pregnant woman a baby gift until after the baby is born. When giving flowers, it is important to give an odd number.

Travel Advisory

Please review the State Department consular and travel information for Uzbekistan: <https://travel.state.gov/content/passports/en/country/uzbekistan.html>.

Visa Requirements

A valid passport and visa are required. Although invitations from a sponsoring organization or individual are not officially required for American citizens applying for short-term visas, the de facto practice of the Government of Uzbekistan is to request invitation letters. Visas are issued by Uzbek embassies and consulates abroad. Visitors coming from countries where Uzbekistan does not have diplomatic or consular representation should obtain visas in a third country. Visas are not available upon arrival at Uzbek airports. The Embassy has received a number of reports from American citizens who have had problems obtaining Uzbek visas or who received Uzbek visas valid for a very limited period. Americans seeking visas for purposes of trade or investment are encouraged to apply for their visas well in advance of their travel and to request a visa for multiple entries and for one year. Failure to make such a request may result in a visa valid for less than three months in duration and often with only a single entry permitted. It is important to note that Uzbek visas indicate not only the validity of the visa, but also the period of time a person is allowed to stay in Uzbekistan on a given trip.

Short-stay visas upon arrival to foreign passengers traveling in transit for a period of 72 hours has been introduced since May 2018.

Further visa information is available from the Consular Section of the Embassy of the Republic of Uzbekistan, 1746 Massachusetts Ave., NW, Washington, D.C. 20036-1903; telephone: (202) 887-5300; fax: (202) 293-6804; website: www.uzbekistan.org; or from the Consulate General of Uzbekistan in New York City, 801 Second Avenue, 20th Floor, New York, NY 10017; telephone: (212) 754-7403; fax: (212) 838-9812; website: www.uzbekconsulny.org.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should refer to the following links: State Department Visa Website:

<https://travel.state.gov/content/visas/en.html>

U.S. Embassy, Tashkent, Consular Section: http://uzbekistan.usembassy.gov/non-immigrant_visas.html

Currency

In general, Uzbekistan is a cash-only economy, and by law transactions must be in the local currency, the *soum*. The situation is aggravated by the fact that the largest denomination bill is 50,000 soum (about \$6.25 at the official exchange rate), turning cash transactions of any significant value into major logistical undertakings. Vendors and merchants, however, may accept bank transfer in dollars.

Credit cards are not widely accepted in Uzbekistan. Only a few ATMs are available in large hotels and banks, but they are often out of order. Travelers cheques cannot be used in Uzbekistan.

Telecommunications/Electric

The public telephone networks of Uzbekistan have more than 2 million subscribers to fixed services and about 23 million to cellular mobile services. Uztelecom, the national carrier, and Buzton, the digital network operator, provide fixed telephone services. In Uzbekistan the

power sockets are of type C and F. The standard voltage is 220 V and the standard frequency is 50 Hz.

Five operators provide cellular mobile services. They operate on the GSM and CDMA standards. The two largest cellular communication providers - Beeline and Ucell - provide roaming with the United States. The national data transfer network is owned by the UZNET branch of Uztelecom. There are about 700 Internet service operators and over 12 million users. The average speed of download is 5 Mb/s, and upload is 300 kb/s. Wi-Fi is available in most hotels and shopping malls in Tashkent and in large hotels in major tourist sites.

Transportation

Uzbekistan Airways (HY) National Air Company is the flag carrier of Uzbekistan. In addition to HY, Turkish Airlines, Korean Air, Asiana Airlines, and Aeroflot fly to Tashkent. HY links Tashkent with international destinations including London, Paris, New York, Frankfurt, Istanbul, Moscow, Delhi, Tel Aviv, Kuala Lumpur, Bangkok, Seoul and Beijing. Korean Air and Asiana provide service to Seoul; Turkish Airlines flies to Istanbul. HY and Aeroflot fly to a large number of CIS destinations. HY has a monopoly on all domestic flights.

The National Railway Company of Uzbekistan, Uzbekiston Temir Yollari (UTY), is the monopoly provider of passenger rail services. UTY operates 4,500 km of railroads connecting most parts of the country with Tashkent and other CIS destinations. Comfort and service vary depending on the destination. In 2012, UTY launched a new fast train from Tashkent to Samarkand, Bukhara, and other destinations, which offers comfortable accommodations on modern Spanish-made trains. Tickets on the fast train often are sold out weeks to months in advance during the summer tourist season.

Road travel is tedious in Uzbekistan due to old vehicles, pot-holed roads, and seasonal impediments. Most roads are paved but many need repair and resurfacing. New Chinese and used European buses, used by most tour companies, are gradually replacing the Eastern European buses procured before independence, and most cities have public transportation networks. Tashkent did have a system of trams, but in 2016 all of Tashkent's tramways were dismantled and many trams moved to Samarkand. Tashkent has Central Asia's first subway system, with three lines connecting different parts of the city.

Language

The official language of Uzbekistan is Uzbek, but Russian is commonly used in business and academia. English language interpreters are broadly available and vary in skill and experience.

Health

Food and waterborne diseases such as Salmonella, Hepatitis A & B, Typhoid and Meningitis are common. Travelers are advised to drink only bottled/boiled water and to eat only fruits and vegetables that have been cooked and peeled. Undercooked meat should be avoided as well. Due to poor sanitation and power shortages resulting in poor refrigeration, travelers should avoid eating unpasteurized dairy products and food sold on the street. The Centers for Disease Control and Prevention (CDC) recommends that all visitors to Uzbekistan update their routine immunizations prior to traveling. For those with specific health concerns, and for the latest health and medical information pertinent to Uzbekistan, visit the CDC website for more information: <http://www.cdc.gov/travel/> before traveling.

Local Time, Business Hours and Holidays

There is a single standard time zone in Uzbekistan, which is +5 hours GMT; Uzbekistan does not observe daylight savings time. During U.S. daylight saving time (March-November), Uzbekistan is +9 hours Eastern Standard Time. The remainder of the year Uzbekistan is + 10 hours EST. Business hours are generally from 9:00 a.m. to 6:00 p.m., Monday through Friday. The most common times to find employees working are from 10:00 a.m. to 6:00 p.m. In the provinces, the workday finishes earlier.

2018 Uzbek Holidays

- January 1 New Year's Day
- March 8 Women's Day
- March 21 Navruz
- May 9 Remembrance Day
- June (TBD) Eid Ramadan
- September 1 Independence Day
- September (TBD) Kurbon Hayit
- October 1 Teacher's Day

- December 8 Constitution Day

Temporary Entry of Materials or Personal Belongings

Materials and personal belongings of high value, including large quantities of cash, need to be declared. A traveler's duty free belongings may include:

- 200 cigarettes, or 50 cigars, or 100 cigarillos, or 500g of tobacco
- 1 liter of spirits (over 25% volume of alcohol) or 2 liters of lighter alcohol beverages (up to 25% volume of alcohol)
- Non-commercial amount of gifts and other items for personal use

Importation and transit is prohibited or restricted for:

- Narcotics
- Pornography (please consider the term as used under Islamic law)
- Counterfeit items
- Henna
- Palm trees and any products thereof
- Explosive material
- Live animals - health certificate required along with complete and valid inoculations (contact Uzbek embassy to obtain permission)
- Endangered species and any products or parts thereof as outlined by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) may be brought in only with CITES permission
- Medications (contact Uzbek embassy to make sure they are allowed)
- Hunting weapons (permissible only with authorization obtainable from the Ministry of Interior of Uzbekistan)

Uzbek customs authorities also may enforce strict regulations concerning temporary import or export from Uzbekistan of items such as armaments and ammunition, space technology, encryption devices, X-ray and isotope equipment, nuclear materials, poisons, drugs, precious and semi-precious metals, nullified securities, and pieces of art and antiques of historical value. It is advisable to contact the Embassy of Uzbekistan in Washington, DC, or the

Consulate of Uzbekistan in New York for specific information regarding customs requirements for materials and personal belongings.

Travel Related Web Resources

- www.uzbekistan.usembassy.gov
- www.gov.uz
- www.uzbektourism.uz
- www.uzairways.com
- www.railway.uz