



Leibniz Institute of Agricultural Development  
in Transition Economies

## **Uzbekistan: Foreign Trade Liberalization and Basic Mechanisms on reduce trade barriers**

Talipova Nigora

Institute for Advanced Studies at the Tashkent State University Of Economics, Uzbekistan

Contact email: [nig65@rambler.ru](mailto:nig65@rambler.ru), [nigoratal@gmail.com](mailto:nigoratal@gmail.com)

**Paper prepared for presentation at the “Regional Economic Cooperation in Central Asia: Agricultural  
Production and Trade (ReCCA)” conference**

November 24 to 26, 2014  
Halle (Saale), Germany

*Copyright 2014 by the author. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies. The papers present authors' own results and IAMO is not responsible for any errors contained in the data or analysis.*

**Abstract**

After independence, Central Asian countries embarked on the path of radical socio-economic and political transformation. Growing economic openness of countries contributes towards joining the world community. Each of them in its own way has built a strategy of reforming the economy and solve the problems of the former administrative system. Today, Central Asian countries differ significantly in population, territory, natural resources, level of socio-economic development, political orientation. They are characterized by different degrees of readiness to cooperate and integrate with the rest of the world. The growing economic openness of the country contributes to refocus its entry into the world community. In the article on example of Uzbekistan discussed issues of foreign trade liberalization and mechanisms to reduce trade barriers, as factors for integration of countries in the region.

**Keywords:** integration, trade barriers, liberalization, import, export.

**1 Introduction and Research Questions**

*Influence of Uzbekistan onto Central Asian region.* There are many problems in the relationships of Central Asian States (CA). The most optimal way to solve such problems, it is - the interaction of countries and regional integration. Strategic importance and political potential of Uzbekistan indicate that the state objectively has a special responsibility for the region of Central Asia.

Being in the heart of Central Asia Uzbekistan borders with all the four Central Asian states (Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan), as well as Afghanistan. Uzbekistan is the second largest - after Kazakhstan - the region's economy. Therefore, the trade regime and changes in trade in Uzbekistan largely affect economic activity of other Central Asian countries and have a significant impact on regional economic cooperation.

Uzbekistan - the territory of contradictions. On the one hand, it has abundant natural resources, skilled labor force, cultural diversity and favorable strategic location that serve as a powerful springboard for the development of the national economy. On the other hand, the region does not have direct access to sea ports; it is located at a great distance from many of the global economic centers. Rich in resources, Uzbekistan attracted the attention of various geopolitical players. A form of economic integration, which today holds Uzbekistan, is a free trade zone within which repealed the trade restrictions among member countries, and above all customs duties. How this process is going on? In general this article explains what results Uzbekistan did in trade liberalization.

**2 Data and Methods**

The main methods of research used the method of system analysis, statistical analysis method, the method of mathematical modeling and others.

**3 Main Results and Discussions**

Theoretical and methodological basis of this work is a scientific analysis of the objective trends in the development of the external economy of the Republic of Uzbekistan.

In order to integrate into the world economy, the Republic of Uzbekistan is constructed in accordance with universally recognized norms and rules of international trade. Under

conditions of free competition the country participates in international treaties and created three free economic zones, which allows processes to intensify structural reforms aimed at promoting export-oriented economy, the growth of foreign direct investment, participation in world economic relations and the development of new markets for domestic products.

The first aspect of the regulation of foreign trade regime is to regulate the import of goods. Currently import policy characterized by increased levels of protectionism. The main tool is the import tariff regulation. The country has a simplified and unified system of import tariffs (From the January 1, 2004, there are new rates of customs duties based on the Harmonized system (HS) of the description and coding of goods with changes and additions made in HS from January 1, 2002, by the world customs organization). Import customs duties are grouped mainly on six levels from 0% to 40% of the customs value of the goods (high placed in order to protect domestic producers).

A zero rate of import duties and a single customs payment for imported machines, equipment and technology, including for the production of building materials, products and structures to ensure the production of competitive domestic products, as well as works of art, collectibles and antiques.

Analysis of foreign trade tariff shows that, despite the seemingly high rate, currently its arithmetic average as a whole is quite low and has declined over 1995 to 2014 from 18% to 14.6% (Table 1). High tariff rates are set for consumer goods - over 20%.

In accordance with the Law of the Republic of Uzbekistan made an amendment into articles of the Law "On Customs Tariff" and "On foreign investments" in the provision of exemptions from payment of import duties property imported by enterprises with foreign investments for their own production needs.

**Table 1. Change in the average rates of import customs duties\***

	1995	1997	1999	2001	2003	2005	2009	2011	2013
Average rate of customs tariff	18	29	28	11,3	15,3	14,6	15,4	14,8	14,6

\* Official data of the state Committee of Uzbekistan on statistics for 2000-2013

For enterprises with foreign investment in the share capital of not less than 33% for their own needs, within two years from the date of their registration introduced benefits for which they are exempt from import customs duty on property imported into the Republic of Uzbekistan from January 1, 2013.

Regulation of imports by imposing excise taxes on imports, but not charged with domestic production, is also a measure to protect domestic producers and a source of increasing the state budget. Comparative excise taxes on some imported and goods produced in the country indicate the degree of protection for domestic producers, because state provides conditions to domestic producers to increase production and expand the range of domestic consumer goods, to take full saturation of the domestic market with domestic competitive consumer goods.

Quotas and import licensing in the republic abolished since 1998 and applies only to the specific import transactions. For security reasons, number of dangerous goods (firearms, pornography) is included in the list of prohibited import items.

Excessive protection of domestic producers of goods and creating greenhouse conditions for their operation are not always producing the desired results and promote competitiveness. Therefore, in the interests of economic security it should be gradually made decisions to reduce tax rates.

In order to import into the country of the desired level of quality, quantity and price characteristics of the individual items of food products (meat and dairy, alcohol and tobacco products, oilseeds) and equipment (mechanical and electrical equipment), equipment purchased for the newly-created productions included in the investment program of the Republic of Uzbekistan, is established the procedure for the implementation of mandatory pre-shipment inspection.

For the same purposes introduced a requirement of mandatory submission of a certificate of conformity for the import into the territory of the Republic of consumer goods for commercial activity. In order to protect consumer rights in Uzbekistan banned the import of certain consumer goods without obtaining the product labels information about the properties of the goods, and approved labeling rules and customs clearance of imported consumer goods.

In the regulation of the export, policy of the Republic, mainly aimed at the development of export potential. Since 1997, the country abolished export duties. Currently implemented a series of measures aimed at the liberalization of foreign trade activities, namely:

- introduced a system of monitoring of the customs import contracts;
- simplified registration procedure for entrepreneurs engaged in export-import of goods;
- created a single electronic system for the exchange of foreign trade operations between state structures, which can significantly facilitate the passage of goods and control the execution of contracts by subjects of foreign trade;
- introduced the conversion of national currency ("sum") for current international transactions;
- manufacturing enterprises with foreign investments, specializing in the production of ready-made clothing (sewing, knitting and leather goods), hosiery and footwear are exempt from all taxes and fees to the budget, except for value added tax.

Thus, qualitative changes in the organization of foreign trade, the implementation of specific measures for further improvement of tariff regulation and import operations, the removal of individual non-tariff measures of foreign trade regime in accordance with international requirements, played a positive role in the development of foreign trade (Table 2).

**Table 2. Main indicators of foreign trade in 2000-2013\***

	2000r.	2003r.	2005	2008	2010	2013
Exports, million.	3264,7	3725	5408,8	11572,9	13044,5	15087,2
Imports, million.	2947,4	2964,2	4091,3	7504,1	8799,7	13798,8
Trade balance, million.	317,3	760,8	1317,5	4068,8	4244,8	1288,4
Share of centralized exports, %	64.0	62.2	59,0	59,6	59,2	58,3
GDP per capita, USD **	1419	1639	1952	2135	2995	3762

\* The data of the state Committee of Uzbekistan on statistics for 2000-2013.

\*\* Database World Bank indicators «NY.GDP.PCAP.PP.CD»

The main conditions for successful development of the foreign trade of the Republic of Uzbekistan for the future are:

- development of export potential due to the growth of export-oriented production of competitive goods in light industry, food, agriculture, and high-tech industries;
- support the interests of domestic exporters in foreign markets in order to restore and maintain their position in the world commodity markets;
- holding within the accepted procedures policy of reasonable protectionism for domestic manufacturers, who are not a monopolist in the domestic market;
- preventing critical dependence of the economy on imports of basic products, the production of which may be organized in the country;
- ensuring the smooth operation of transportation lines connecting Uzbekistan with foreign markets (road and rail transport, main gas and oil pipelines, interconnections and inter-regional transmission lines).

#### **4 Conclusions.**

Continued reduction of trade barriers and the gradual liberalization of foreign trade activities in accordance with international rules and standards aimed primarily at the increasing of export potential in the forecast period, and will be associated with the formation of an export-oriented economic structure, the implementation of an effective investment policy to attract foreign investment in the development and implementation of state strategic programs and projects related to modernization of traditional industries and the creation of new and innovative technologies, focused on the integration of the country not only to regional integration, but also into the world economy.

#### **5 References/ Bibliography**

ISAKHODJAEV A.(2003). Основные понятия и принципы экономической безопасности // Экономический вестник Узбекистана. – Tashkent, №6. – P. 4-6.

OFFICIAL DATA OF THE STATE COMMITTEE OF UZBEKISTAN ON STATISTICS for 2000-2013, <http://old.stat.uz/economy/354/>

[www.press-service.uz](http://www.press-service.uz) – Website of press-service of the President of the Republic of Uzbekistan

Database World Bank indicators «NY.GDP.PCAP.PP.CD»