

# U.S. Country Commercial Guides



## Uzbekistan 2020

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## Doing Business in Uzbekistan

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### Market Overview

According to official reports of the Government of Uzbekistan (GOU), Uzbekistan's GDP grew by 5.6% to 511.8 trillion Soum (\$57.9 billion) in 2019. The GDP deflator to prices of 2018 was 19.2%. Industrial production and the construction sector were the main drivers of the economy – supported by state funded investment projects, they demonstrated a 13% year-on-year output increase. The annual inflation rate reached 15.2%. For 2020, taking the pandemic into account, the Central Bank of Uzbekistan (CBU) projects the inflation rate to be between 11-12.5%. The relatively high inflation rate results from ongoing economic reforms, including the September 2017 foreign exchange rate liberalization.

- Key Economic Indicators:

	2018	2019
Nominal GDP (billion USD)	50.4	57.9
Consumer price inflation (percent)	14.3	15.2
Foreign Direct Investment (billion USD)	0.62	2.28
Current-account balance (billion USD)	-3.6	-3.2
Exports (billion USD)	14.0	17.9
Imports (billion USD)	19.4	24.3
External debt, private and public (billion USD)	17.3	24.4
Gross international reserves (billion USD)	27.1	29.2

(Source: Data by country authorities and IMF estimates as of May 12, 2020)

Three years ago, Uzbekistan President Mirziyoyev started ambitious liberalization reforms to unlock the country's potential for international business. In September 2017, the government removed long-standing currency conversion restrictions and liberalized its monetary policy. The soum, the local currency of Uzbekistan, demonstrated about a 2.8% year-on-year depreciation until 2019, when it depreciated 12.3%. Depreciation has reached 6.9% in the first half of 2020. Standard & Poor and Fitch indicate that growing foreign trade turnover of the country and considerable net FX reserves made its mid-term outlook stable.

The volume of Uzbekistan's foreign trade turnover in 2019 grew by 26.3% year-on-year to \$42.2 billion, whereas exports contributed \$17.9 billion and imports \$24.3 billion. The trade deficit has grown from \$5.4 billion in 2018 to \$6.4 billion by the end of 2019 due to a increased demand for machinery and equipment for industrial development.

Major Trade Partners (Uzbekistan official statistics, 2019):

- China, 18.1%
- Russia, 15.7%
- Kazakhstan, 8%
- Korea, 6.5%

The United States of America is Uzbekistan's 9<sup>th</sup> largest trade partner. In 2019, the volume of bilateral trade turnover increased by \$186.2 million to \$596.2 million.

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.

Uzbekistan has signed numerous 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 Government of Uzbekistan 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, are not yet in effect (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. In 2020, Uzbekistan joined the Eurasian Economic Union (EAEU) as an observer.

Violent extremist groups in Central Asia, including the Islamic Movement of Uzbekistan, al-Qa'ida, and DAESH, have not represented a threat to foreign businesses in Uzbekistan in recent years.

With an estimated population of 33 million, Uzbekistan has the foundation needed to become a regional economic powerhouse: a dynamic, literate, and entrepreneurial population – the largest in Central Asia, relatively good infrastructure; and the largest potential consumer market in the region. Uzbekistan's cotton industry and rich natural resources such as gold and natural gas offer attractive opportunities for investors. The government's declared economic policy prioritizes the attraction of private investments through improvement of Uzbekistan's business climate, privatization, and liberalization of foreign trade.

## **Market Challenges**

### **Protection of Intellectual Property Rights (IPR)**

Insufficient IPR protection remains to be a challenge for foreign businesses in Uzbekistan. Uzbekistan took important steps in 2018 to address longstanding issues pertaining to IP protection and enforcement. In particular, Uzbekistan's accession to the Geneva Phonograms Convention and two WIPO Internet Treaties represents progress towards adequate copyright protection for foreign sound recordings. Despite this progress and the Government's efforts toward developing a new national strategy for improvement of IPR protection, IPR enforcement in Uzbekistan remains weak. Uzbekistan continued on the Watch List in the most recent (2020) U.S. Trade Representative's (USTR) Special 301 Report on Intellectual Property.

### **Inefficient Banking Sector**

Three large state-owned and 13 partially state-owned banks control over 80 % of the sector's total assets and capital. Privately-owned commercial banks are relatively small niche players. State-owned banks are virtually the agents of the government in implementing government development strategy. All banks are closely monitored by the government, which imposes non-core functions on them, including tax withholding and financial oversight of their clients. Uzbekistan's economy remains largely cash-based due to relatively low trust in the banking sector and the huge role of the informal sector in the economy. In recent years, however, the government's policies have demonstrated a notable transition from financial isolationism to greater transparency and integration into international financial markets. In 2020, the government announced privatization efforts to attract more investments from the non-public sector.

### **Lack of Transparency**

Since its 1991 independence, Uzbekistan largely remained a closed country that preferred to rely on its own resources and on loans and investments from political allies. State owned enterprises (SOEs) have traditionally been the largest actors in the economy. Both of these factors contributed to a poorly functioning market economy without inherent transparency and clear cut rules. After coming to power in 2016, President Mirziyoyev initiated large scale reforms to open up the country for foreign investments. These reforms are ongoing, but there have still been instances when government representatives or SOEs fail to adhere to the terms of agreements or signed contracts.

### **State Involvement**

State-owned enterprises dominate Uzbekistan's economy and limit fair competition in some key industries, including but not limited to energy, telecommunications, automotive, aviation, chemical, mining, etc. Government-owned

banks, ministries, and agencies interfere in business operations and in some cases make efficient operations almost impossible. Documents required for licensing, registration and other permits are often amended without notice, which creates an opportunity for rent-seeking.

#### 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. U.S. firms should consult with a local attorney and develop relationships with Uzbekistani partners before entering the market.

### Market Opportunities

The growing public and private investments resulting from the government's export oriented and import substituting industrialization agenda may create more opportunities for U.S. businesses. Increasing prospects may be found in the following sectors:

- **Banking:** The government plans to transition the banking sector from public to private capital, with a target of privatizing 60% of the banking industry by 2025.
- **Education:** The government intends to increase the number of students attending university (particularly in technical fields) to 50% of all high school graduates by 2030, and plans to build 30 new universities to accommodate them. The government wants to attract foreign universities interested in establishing branches in Uzbekistan.
- **Tourism:** Developing tourism is among the major priorities of the Government and the number of foreign tourists is rapidly increasing. It creates incentives for construction of international class hotels and other infrastructure in the Great Silk Road cities of Samarkand, Bukhara and Khiva and connecting them to Tashkent.
- **Oil and Gas:** Projects in the oil and gas industry are intended to attract about \$36.5 billion in investment from various sources through 2030. These projects may represent good export opportunities for U.S. suppliers of oil and gas extraction, transportation, processing technologies, and oil services.
- **Public-Private Partnerships:** Under Uzbekistan's law on Public-Private Partnerships, there are new opportunities for foreign investors to participate in large projects, with tenders operated by the [Public-Private Partnership \(PPP\) Development Agency](#) under the Ministry of Finance of Uzbekistan. Since 2018, foreign bidders have signed PPP agreements to implement several fossil fuel and renewable energy projects.
- **Food Processing and Packaging:** Growing external demand for food products produced in Uzbekistan and efforts to improve the productivity of the agricultural sector create export opportunities for suppliers of food preservation, processing, and packaging technologies as well as transportation and logistics solutions.
- **Construction:** Construction is one of most promising industries in Uzbekistan, which demonstrates a continual growth rate of 15-20% per year. In 2019, the industry accounted for about \$7.8 billion of both public and private investments.
- **ICT:** An ambitious government program aimed at developing a national information-communication system and upgrading communications infrastructure to the 5G standard creates increasing demand for IT solutions in both the public and private sectors of the economy.

### Market Entry Strategy

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

- Importer Solvency: Although the currency conversion reform provided access to liberalized foreign currency, importer solvency can still be an issue due to specific rules and regulations of the local banking system 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 can be advantageous. Additionally, a visit of potential trade partners, especially in the early stages of negotiations, has been proven to be beneficial to developing professional relationships.

## Leading Sectors for U.S. Exports and Investment

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### Agricultural Sectors

#### Overview

Agriculture is an important sector of Uzbekistan's economy, accounting for approximately 25.5% of GDP and employing about 27% of the labor force. Cotton and grain are the country's principal crops, but the elimination of quotas and price controls in 2020-2021 will facilitate a shift to higher-value fruit and vegetable cultivation. Exports of agricultural products contributed approximately 9.8% to Uzbekistan's external earnings in 2019. 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, improve the value added chain and hence process more of its own raw cotton into intermediary or consumer goods for export.

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 fruit and vegetables has increased in recent years and local farmers have aggressive plans for developing export markets for these products.

	2017	2018	2019	2020 estimated
Total Local Production	17,766	14,086	14,775	15,300
Total Exports	1,599	1,319	1,764	2,000
Total Imports	900	1,259	1,520	1,800
Imports from the US	3.5	2.3	1.07	N/A
Total Market Size*	20,265	14,026	14,531	15,500
Exchange Rates**	5,121	8,069	8,839	10,200

\*Total market size = (total local production + imports) – exports

\*\* Exchange Rates = Uzbek soums per \$1. On September 5, 2017 national currency soum was devalued from 4,210.35 soums per \$1 to 8,100 soums per \$1.

Units: \$ millions

Source: The State Statistics committee of Uzbekistan. Data for 2020 was estimated by Post using company project implementation progress reports. Imports from the U.S. data is from the U.S. census bureau.

#### Leading Sub-Sectors

- Cattle breeding and poultry farming;
- Seeds and seedlings (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;
- Storage, packaging and processing of fresh vegetables and fruits;
- Fertilizers;
- Water-saving irrigation technologies;
- Pumping stations for water supply systems.

## **Opportunities**

For specific opportunities, businesses should contact companies involved in the Uzbekistan's agricultural industry.

## **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/>
- Ministry of Investments and Foreign Trade of Uzbekistan: [www.mift.uz/en](http://www.mift.uz/en)
- Chamber of Commerce and Industry of Uzbekistan: [www.chamber.uz/en](http://www.chamber.uz/en)
- Government Portal of the Republic of Uzbekistan: [www.gov.uz/en](http://www.gov.uz/en)
- ITE Uzbekistan Exhibition Company: <https://iteca.uz/eng/ite/>
- Tenders: [www.tenderweek.com](http://www.tenderweek.com)
- U.S. Embassy in Uzbekistan: [BusinessinUzbekistan@state.gov](mailto:BusinessinUzbekistan@state.gov)

## Oil and Gas industry

### Overview

Mining, quarrying, and oil and gas are the leading industries of Uzbekistan's economy, despite the sector's ever more pressing need for further development. 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. The industries contribute about 12% to the GDP of the country, over 15% to the state budget earnings, 14% of export earnings, and employing nearly 180 thousand people. Uzbekistan is the second largest natural gas producer in Central Asia. Accordingly, energy issues remain a high priority in President Mirziyoyev's agenda. Despite a breakthrough in improving energy cooperation with regional neighbors, interrupted and insufficient electricity and gas supplies remain an issue. In 2019, the government broke up the national monopoly UzbekNefteGaz into three independent companies focused on production (UzbekNefteGaz), transmission (UzTransGaz), and domestic sales (HududGazTaminot), with the goal of improving transparency and operating on market-based price standards. The government also announced plans to halt natural gas exports by 2025 and process all domestic output into higher value-added products.

	2017	2018	2019	2020 estimated
Total Local Production	5,830	6,350	7,200	N/A Cannot be estimated because of a sharp fall in global demand.
Total Exports	1,920	2,666	2,525	N/A
Total Imports	742	880	928	N/A
Imports from the US	12	17	14	N/A
Total Market Size*	4,652	4,564	5,603	N/A
Exchange Rates**	5,121	8,069	8,839	10,200

\*Total market size = (total local production + imports) – exports

\*\* Exchange Rates = Uzbek soums per \$1. On September 5, 2017 national currency soum was devalued from 4,210.35 soums per \$1 to 8,100 soums per \$1.

Units: \$ millions

Source: The State Statistics committee of Uzbekistan. Imports from the U.S. data is from the U.S. census bureau.

### Leading Sub-Sectors

- Oil and Gas Extraction
- Support Activities for Mining.

### Opportunities

U.S. oil and gas companies may bid on contracts to supply services to the country. Specific fields include consulting, engineering, construction, equipment supply, and management. The government presently has an increased interest in licensing technologies for oil refining and gas extraction, treatment and processing. All public sector tenders and technical requirements, specifications, documents, and procedural explanations are available on the website of [UzbekNefteGaz](#) and [UzTransGaz](#).

For specific opportunities, businesses should review tenders on the company websites, [www.tenderweek.com](http://www.tenderweek.com), or contact potential partners by phone or e-mail. In general, opportunities exist in fossil fuel field development and

exploration; oil and gas-bearing structure analysis; seismic surveys and deep drilling; and construction, expansion and modernization of production facilities.

### **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:

- UzbekNefteGaz National Holding Company: <https://www.ung.uz/konkursii-ru/uzbekneftegaz-ru/>
- UzTransGaz: <https://www.utg.uz/ru/business/zakup/tendery/>
- State Committee for Geology and Mineral Resources: <https://www.uzgeolcom.uz/en>
- Ministry of Investments and Foreign Trade of Uzbekistan: [www.mift.uz/en](http://www.mift.uz/en)
- ITE Uzbekistan Exhibition Company: <https://iteca.uz/eng/ite/>
- Governmental Portal of the Republic of Uzbekistan: [www.gov.uz/en](http://www.gov.uz/en)
- Chamber of Commerce and Industry of Uzbekistan: [www.chamber.uz/en](http://www.chamber.uz/en)
- Tenders: [www.tenderweek.com](http://www.tenderweek.com)
- U.S. Embassy in Uzbekistan: [BusinessinUzbekistan@state.gov](mailto:BusinessinUzbekistan@state.gov)

## Travel and Tourism

### Overview

Located in the heart of Central Asia, Uzbekistan is ready to expand its travel and tourism industry with its rich cultural and historical heritage, friendly people, and natural beauty. The government of Uzbekistan views its tourism sector as having high growth potential. Uzbekistan was closed to foreigners for many years, and the government has initiated reforms to open access to its rich cultural and historical heritage to facilitate tourism development. As of the start of 2020, Uzbekistan has established a visa-free regime for citizens of 86 countries and e-visas for citizens of 77 countries, including the United States. The government's goal is to grow tourism services from \$1 billion in 2018 to \$2.2 billion in 2025. This will require massive investments in infrastructure and hospitality education, and attraction of global hotel brands. The development plan calls for government-subsidized construction of three- and four-star hotels with at least 50 rooms, increasing the total number of rooms from 20,200 (2018) to 64,000 (2025).

To bring in more foreign travelers, the Ministry of Transport is modernizing and expanding the airports, and will select foreign companies for airport reconstruction and management on a tender basis. Uzbekistan Airports was separated from the Uzbekistan Airways in 2019 and controls Uzbekistan's 11 international airports. The government has promised to liberalize the national aviation market by breaking up Uzbekistan Airways' monopoly and creating more domestic companies (such as Humo Air, scheduled to launch in 2020), while authorizing foreign companies to operate in Uzbekistan. The government intends to purchase short- and medium-haul aircraft to develop the regional passenger air transportation market. Uzbekistan's current air fleet consists of 29 aircrafts.

	2017	2018	2019	2020 estimated
Total Local Production	N/A	N/A	N/A	N/A
Total Exports*	547	1,041	1,413	N/A
Total Imports	N/A	N/A	N/A	N/A
Imports from the US	N/A	N/A	N/A	N/A
Total Market Size	N/A	N/A	N/A	N/A
Exchange Rates**	5,121	8,068	8,839	10,200

\*Earnings of Uzbekistan from incoming tourists.

\*\* Exchange Rates = Uzbek soums per \$1. On September 5, 2017 national currency soum was devalued from 4,210.35 soums per \$1 to 8,100 soums per \$1.

Units: \$ millions

Source: The State Statistics committee of Uzbekistan.

### Leading Sub-Sectors

- Hospitality
- Airports
- Aircraft

### Opportunities

Foreign investors will find the most opportunities in the hospitality sector. International hotel brands are currently found only in the capital city of Tashkent, but there is a great demand for hotels and global franchises in Samarkand, Bukhara and Khiva - the central cities of the ancient Silk Road and major tourism destinations. The government wants to attract foreign investment and management services to the airports as well. Uzbekistan's expansion plans for its fleet of short- and medium-haul aircraft should create business opportunities for manufacturers.

For specific opportunities, businesses should contact organizations involved in Uzbekistan's tourism industry, including the State Tourism Development Committee, Uzbekistan Airways and Ministry of Transport.

### **Web Resources**

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

- State Tourism Development Committee: <https://uzbektourism.uz/en>
- Ministry of Transport: <http://mintrans.uz/en/>
- Uzbekistan Airways: <https://corp.uzairways.com/en/>
- Ministry of Investments and Foreign Trade of Uzbekistan: [www.mift.uz/en](http://www.mift.uz/en)
- Government Portal of the Republic of Uzbekistan: [www.gov.uz/en](http://www.gov.uz/en)
- ITE Uzbekistan Exhibition Company: <https://iteca.uz/eng/ite/>
- U.S. Embassy in Uzbekistan: [BusinessinUzbekistan@state.gov](mailto:BusinessinUzbekistan@state.gov)

## Education

### Overview

Uzbekistan has the advantage of a large and growing population, with 40% under the age of 18. However, it lacks workers with the advanced technical skills needed to reform and modernize the country's economy and infrastructure. The government has targeted having 50% of high-school graduates complete university degrees by 2030, and hopes to attract international universities by offering tax exemptions and pre-existing facilities at no cost. Disciplines targeted for expansion include: chemistry, energy, mechanical engineering, industrial technology, biotechnology, printing, construction and architecture, irrigation and water resources, medicine, and pharmacology

	2017	2018	2019	2020 estimated
Students in degree programs	297,689	360,200	423,000	494,375
Foreign Students in Uzbekistan	603	N/A	N/A	N/A
Uzbekistanis studying abroad	33,159	N/A	N/A	N/A
U.S. students in Uzbekistan	530	570	N/A	N/A
Total Market Size	N/A	N/A	N/A	N/A

Source: State Statistics committee of Uzbekistan and online news.

### Leading Sub-Sectors

As noted above, the government prioritizes attracting international universities offering education in engineering and technical disciplines, including chemical technology, energy, mechanical engineering, industrial technology, biotechnology, printing, construction and architecture, irrigation and water resources, medicine, and pharmacology.

### Opportunities

For specific opportunities, universities should contact U.S. Embassy Tashkent at [BusinessinUzbekistan@state.gov](mailto:BusinessinUzbekistan@state.gov) or the Ministry of Higher and Secondary Specialized Education at [xab@edu.uz](mailto:xab@edu.uz).

### Web Resources

U.S. universities interested in higher education sector of Uzbekistan can get information from the following sources:

- Ministry of Higher and Secondary Specialized Education: [www.edu.uz/en](http://www.edu.uz/en), [xab@edu.uz](mailto:xab@edu.uz)
- U.S. Embassy in Uzbekistan: [BusinessinUzbekistan@state.gov](mailto:BusinessinUzbekistan@state.gov)

## Food Processing Industry

### Overview

Uzbekistan seeks to increase the production and export of high-value added food products. The country's food processing industry has substantial room to grow, given current capacity shortfalls. Only 15% of the 20 million tons of fruits and vegetables grown each year is processed for longer shelf-life, while 30% is lost due to insufficient storage and processing capacity. Only 16% of meat and milk is processed. Uzbekistan's 1,500 existing refrigerated warehouses can accommodate only 4.5% of the harvest, and the government plans to triple its cold-storage chain capacity by 2025. The current development plan calls for adding 3.4 million tons of processing capacity by 2030, accommodating 30% of the harvest.

	2017	2018	2019	2020 estimated
Total Local Production	4,534	3,130	3,781	4,000
Total Exports	876	1,097	1,518	1,800
Total Imports	1,274	1,581	1,885	2,200
Imports from the US	0.03	0.9	0.05	N/A
Total Market Size*	4,932	3,614	4,148	4,400
Exchange Rates**	5,121	8,069	8,839	10,200

\*Total market size = (total local production + imports) – exports

\*\*Exchange Rates = Uzbek soums per \$1

Units: \$ millions

Source: The State Statistics committee of Uzbekistan. Data for 2020 was estimated by Post using company project implementation progress reports. Imports from the U.S. data is from the U.S. census bureau.

### Leading Sub-Sectors

- Juices
- Fruit and vegetable processing
- Meat and milk processing
- Packaging material (cardboard, paper, aluminum foil, stretch films)
- Compact processing machinery for use by small businesses

### Opportunities

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

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, and PepsiCo. 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:

- Ministry of Investments and Foreign Trade of Uzbekistan: [www.mift.uz/en](http://www.mift.uz/en)
- ITE Uzbekistan Exhibition Company: <https://iteca.uz/eng/ite/>
- Chamber of Commerce and Industry of Uzbekistan: [www.chamber.uz/en](http://www.chamber.uz/en)
- Government Portal of the Republic of Uzbekistan: [www.gov.uz/en](http://www.gov.uz/en)
- Ministry of Economic Development and Poverty Reduction of Uzbekistan: [www.mineconomy.uz/en](http://www.mineconomy.uz/en)
- Ministry of Agriculture of Uzbekistan: <http://www.agro.uz/ru/>
- State Committee for Veterinary Medicine and Livestock Development of Uzbekistan: <http://vetgov.uz/ru/>
- Tenders: [www.tenderweek.com](http://www.tenderweek.com)
- U.S. Embassy in Uzbekistan: [BusinessinUzbekistan@state.gov](mailto:BusinessinUzbekistan@state.gov)

## Customs, Regulations and Standards

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### Trade Barriers

The Government of Uzbekistan restricts imports of certain goods by imposing high tariffs and other import duties in order to protect and foster local manufacturing. Surveys of foreign companies consistently conclude that trade/border/customs restrictions and poorly administrated procedures are among serious challenges for doing business with Uzbekistan. In its 2020 Doing Business report, the World Bank ranked Uzbekistan 152nd out of 190 for the “Trading across Borders” indicator.

### Import Tariffs

Presidential Resolution PP-3818 issued June 29, 2018, set new import tariffs in Uzbekistan. The resolution includes tariffs for Import Duties and Import Excise Taxes. Customs duties for imported goods range from zero to more than 100%, but the average rate is approximately 20%. More information on taxes and duties for specific products can be obtained by following this link: <http://lex.uz/docs/3802366>. The cost of imports also include 20% Value Added Tax (VAT) and customs clearance fee, which is 0.2% of declared customs value. Goods imported by investors for their own needs, for implementation of projects in Uzbekistan, goods imported for further export or under a temporary importation regime are indefinitely exempt from customs duties. Some companies and investors may enjoy duty free importation preferences by a decision of the government.

### Import Requirements and Documentation

Existing legislation still requires all Uzbekistan-based enterprises engaged in export/import operations to be registered as participants in international trade relations. 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 the Center for Comprehensive Expert Examination of Projects and Import Contracts under the Ministry of Economic Development and Poverty Reduction:

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

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

- Cargo customs declaration;
- Commercial invoice and bill of lading;
- Phyto-sanitary and veterinary certificates (as applicable);
- Certificates of conformity (as applicable);
- License (as applicable).

### Labeling and Marking Requirements

All products coming into Uzbekistan must be labeled in the Uzbek language and have certificates of origin. Food products, personal hygiene items and certain other consumer products imported into Uzbekistan must have labeling in the Uzbek language that has been attached prior to import by the manufacturer.

### U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to

the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags", or warning signs, and compiled "Know Your Customer" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check [This is a best prospect industry sector for this country](#). Includes a market overview and trade data [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed. The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

### **Temporary Entry**

*Discuss any different requirements for products entering the country/economy temporarily. Include information on warranty and non-warranty items entering the country/economy for repair.*

Goods temporarily imported to Uzbekistan 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. Temporary import of warranty items for repair is allowed for the length of the warranty period.

On April 24, 2020 Uzbekistan acceded to the Convention on Temporary Import (Istanbul, June 26, 1990) and accepted its following appendices:

- Appendix A. "On documents of temporary import (A.T.A carnets and C.P.D carnets) ;"
- Appendix B.1 "On goods for display or use at exhibitions, fairs, conferences or similar events;"
- Appendix B.2 "On professional equipment;"
- Appendix B.3 "On containers, pallets, packages, samples and other goods imported in connection with a commercial transaction;"
- Appendix B.5 "On goods imported for educational, scientific or cultural purposes;"
- Appendix B.6 "Appendix concerning personal belongings of travelers and goods imported for sports purposes."

### **Prohibited and Restricted Imports**

Uzbekistan's legislation prohibits import of the following items to the country:

- narcotic drugs, psychotropic substances and precursors;
- works of print, manuscripts, cliches, drawings, photographs, photographic films, negatives, video and audio materials aimed at undermining the state and social system, violation of territorial integrity, political independence and state sovereignty, propagandizing war, terrorism, violence, national exclusivity and religious hatred, racism and its variety (anti-Semitism, fascism), pornographic materials;
- portable laser emitters;
- explosives and pyrotechnics;
- unmanned aerial vehicles.

Trade of the following products requires a license: weapons, military equipment/machinery and equipment used for their production, uranium and other radioactive substances, equipment that produces or uses radioactive materials, precious metals and goods made of them. The procedure for license issuance is described in the Decree # [959](#) of Cabinet of Ministers of Uzbekistan of December 1, 2017.

### **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.

Starting September 1, 2020, all border customs posts will begin using a "Single Window" digital information system, which is expected to cut registration of cargo customs declarations from three days to one by November 2020. Importers are required to present information in advance and confirm the issuance of all applicable certificates in the Single Window system.

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. Imported 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, Islam Karimov Ave., Tashkent, 100003, Uzbekistan  
Telephone: (998-78) 120-7600, 120-7631, 120-764  
[www.customs.uz/en](http://www.customs.uz/en)

## Standards for Trade

### Overview

Standards for imported goods are subject to state registration through branches of Uzstandart, Uzbekistan's Agency for Standardization, Metrology and Certification. The national system includes 97 groups of standards and 40 groups of technical guidelines. Most of them still based on outdated Soviet heritage, but the country is in the process of transition to international methods, such as GlobalG.A.P. and ORGANIC.

### Standards

*What standards does the country use? Does it accept standards developed by U.S.-domiciled standards developing organizations (e.g., ASTM, ASME, SAE, API, etc.)? Does the country tend to favor the standards of certain trading partners?*

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

- International (interstate, regional) standards;
- Uzbekistan's 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

*What is the general approach to product testing? Can most products enter the market freely? Which must be tested?*

By law, Uzbekistani officials may apply nine certification procedures:

- Procedures 1 – 5 include testing of standard samples in one of special accredited laboratories (AL);
- Procedures 3 – 5 also include inspection of production;
- Procedure 6 is based on the assessment of the quality management system;
- Procedure 7 tests pack samples in the AL;
- Procedure 8 tests each sample product in the AL; and
- Procedure 9 reviews the declaration.

Procedures 3 and 7 are most applicable in Uzbekistan. After testing, an accredited body issues a certificate of conformity for a period of up to three years. The relevant [decree](#) lists 77 products for which certification is compulsory.

## Publication of Technical Regulations

Uzstandard publishes [technical regulations](#) and the [list of proposed technical regulations](#) on its website. The agency welcomes comments on proposed regulations at [tr@standart.uz](mailto:tr@standart.uz) and [tr1@standart.uz](mailto:tr1@standart.uz) within a two week period after their publication, though a deadline is not always specified. Information on the [technical regulations development program for 2019-2021](#) is also given in the agency's website. Regulation on safety of medical devices and equipment may affect this category of products.

Notify US:

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available reviews and key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected countries and/or industry sector(s) of interest and can also request full texts of regulations. This service and its associated websites are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

## Contact Information

*Provide key contact information and list relevant organizations. Include the standards point(s) of contact at Post.*

- Ministry of Investments and Foreign Trade: [www.mift.uz/en](http://www.mift.uz/en)
- State Tax Committee of the Republic of Uzbekistan: [www.soliq.uz](http://www.soliq.uz)
- Uzbekistan Agency for Standardization, Metrology and Certification  
Uzstandard: <https://www.standart.uz/en/>
- State Customs Committee of Uzbekistan: [www.customs.uz/en](http://www.customs.uz/en)
- U.S.Embassy,Tashkent: [BusinessInUzbekistan@state.gov](mailto:BusinessInUzbekistan@state.gov), <https://uz.usembassy.gov/>
- American Chamber of Commerce: [amcham.director@amcham.uz](mailto:amcham.director@amcham.uz), [www.amcham.uz](http://www.amcham.uz)

## Trade Agreements

Uzbekistan has signed trade agreements with 45 countries providing most favored nation treatment. It also signed bilateral investment treaties with 53 countries, but five of them have not entered into force. In 2020, the country became an observer in the Eurasian Economic Union (EAEU). Uzbekistan is not a member of WTO, but is working on accession. In 2004, Uzbekistan and Russia signed a Strategic Framework Agreement that also includes free trade and investment concessions. In November 2005, the government signed the "Treaty of Alliance Relations" with Russia, with provisions for economic cooperation. Uzbekistan and Ukraine's 2004 agreement removes all bilateral trade barriers. Uzbekistan's membership in the CIS Free Trade Zone was formalized in 2014.

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 thereafter by the Uzbekistani 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 four of its Central Asian neighbors – Tajikistan, Turkmenistan, Kazakhstan, and the Kyrgyz Republic.

## Licensing Requirements for Professional Services

Parliamentary decree #222-II lists 62 activities requiring licenses, including:

- Design, construction, operation and repair of main gas pipelines, oil pipelines, and oil product pipelines
- Medical services

- Pharmaceutical production
- Development of architectural and urban planning documentation
- Providing expertise on construction projects
- Extraction, processing and sale of oil, natural gas and natural gas condensate
- Sale of petroleum products
- Banking services
- Auditing services
- Tourism services
- 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
- Production of ethyl alcohol and alcoholic beverages
- Activity of non-governmental educational institutions
- Activity of religious educational institutions
- Production of tobacco products.

## Selling U.S. Products and Services

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### Distribution & Sales Channels

#### Overview

Nearly half of Uzbekistan's population of more than 33 million is concentrated in Tashkent and the Fergana Valley, the two regions that consumer product manufacturers should consider as the most promising 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. Uzbekistan is a double-landlocked country, so getting goods into the country can be complicated, but once in, distribution is easier because of the dense population and relatively good transportation infrastructure.

#### Using an Agent or Distributor

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

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

#### Establishing an Office

To open a local representative office, foreign companies need to get accreditation from the Ministry of Investments and Foreign Trade ([www.mift.uz/en](http://www.mift.uz/en)). The following documents should be submitted:

- an application written on the letterhead of the foreign company containing information on its activity, business relations with companies and organizations in Uzbekistan, prospects for cooperation, and the requested time period for opening a representative office;
- constituent documents of the foreign company;
- the official registration certificate from the foreign company's domicile country;
- a power of attorney issued by a foreign company to the head of the representative office, indicating the full passport data and the powers granted;
- regulations on representation, approved and sealed by the management of the foreign company; and
- a letter of guarantee from a legal entity or individual of the Republic of Uzbekistan, which is the owner of the non-residential premises, confirming the readiness to lease or sell these premises to the representative office (indicating the conditions and terms of the lease or sale).

All documents must be legalized at the consular office of Uzbekistan in the foreign company's domicile country. Legalization is not required if the documents are apostilled. Documents are submitted with a notarized translation into Uzbek or Russian language. If some of the above documents are not provided for by the legislation of the country of the foreign company, the company may submit to the accrediting body a confirmation from the Ministry of Foreign Affairs or the diplomatic mission of its domicile country in the Republic of Uzbekistan.

Accreditation can be issued for one to three years. The annual fee for accreditation is 48 times the basic calculation rate, and amounts to \$1,050 at the exchange rate of August 1, 2020. The decision on accreditation should be made within 10 business days.

## **Franchising**

Franchising agreements are subject to state registration, which is regulated by Decree #244 of Cabinet of Ministers issued on November 4, 2010. Uzbekistan's market presents unexplored opportunities for franchises, where only a few international companies are now present. The most serious barriers to franchising efforts are quality control, lack of information, and weak intellectual property rights protections. However, there is a great interest from local businesses to develop franchising arrangements with U.S. companies, primarily in the restaurant, beauty, healthcare, and hospitality industries.

## **Direct Marketing**

Direct marketing in Uzbekistan is predominantly used by beauty and health product companies. Herbalife pioneered this field in Uzbekistan with its well-known model. Uzbekistani entrepreneurs frequently promote their products to potential customers using social networks. Other forms of direct marketing include distributing free samples at points of sale, cultural events, and door-to-door. Marketing by mail is not used.

## **Joint Ventures/Licensing**

Uzbekistan's current law "On Investments and Investment activity" was issued on December 25, 2019. Under this law, the Ministry of Investments and Foreign Trade ([www.mift.uz/en](http://www.mift.uz/en)) is the authorized state body in the field of state regulation of investments, making it the regulatory authority for joint ventures and licensing. Depending on the extent of foreign participation, a business can be defined as an "enterprise with foreign capital," (EFC - less than 15% foreign-owned) or as an "enterprise with foreign investment" (EFI - more than 15% foreign-owned). Joint ventures are defined as a company with at least 400 million soums (\$39,188 at the exchange rate on August 1, 2020) charter capital and at least 15% of foreign ownership. A foreign enterprise (FE) is a company with at least 400 million soums charter capital that is fully owned by a foreign investor. FEs and EFIs can qualify for some tax incentives.

Currently there are 10,382 EFIs operating in Uzbekistan, of which 5,106 are joint ventures and 5,276 are FEs. The largest number of them hold Russian (1,828), Chinese (1,652), Turkish (1,271), South Korean (811) and Kazakh (809) capital. Most (59%) FEs and joint-ventures operate in Tashkent. The number of newly registered enterprises with foreign investment increased by 2,822 (37%) in 2019. Most new foreign investors originated in China (531), Russia (401), Turkey (397) and Kazakhstan (299).

## **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. In July 2018, the government introduced new taxation rules on imported goods valued at over \$100. Transit times from major U.S. cities average around one week.

In accordance with Uzbekistan's 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 food);
- User's manual (if applicable); and
- Warnings (if applicable).

This information label must be applied on the product at the facility where it is produced. The government will not allow in-country labeling. Information on imported goods should be provided online in advance to the customs service's information systems.

## **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 audit companies with offices in Tashkent, including:

- [Pricewaterhouse Coopers Uzbekistan](#)
- [Ernst & Young Uzbekistan](#)
- [Deloitte & Touche LLC Uzbekistan](#)
- [KPMG Uzbekistan](#)
- [Baker Tilly Uzbekistan](#)

The U.S. Embassy provides [International Company Profile \(ICP\) services](#) to assist U.S. firms in evaluating potential business partners by providing information on Uzbekistani companies.

## **eCommerce**

### **Assessment of Current Buyer Behavior in Market**

The e-commerce industry is in the early stages of development in Uzbekistan. As of April 2020, the number of internet users is estimated at 22 million – 19 million mobile internet users and 3 million fixed broadband internet users - in a country with 34 million people. The country has been investing in its telecommunications infrastructure, but still ranks only 130<sup>th</sup> out of 138 countries in mobile internet with 11.78 Mbps download and 6.85 Mbps upload speed. It ranks 93<sup>rd</sup> out of 174 countries in fixed broadband internet with 28.52 Mbps download and 27.53 Mbps upload speed. To facilitate its development, the government charges only a 2% tax on online revenue, compared to a 4% rate for traditional businesses. Uzbekistan's laws permit online sales of drugs and medical devices and permits electronic checks and invoices as legal confirmation of payment for goods and services. The Central Bank of Uzbekistan signed a 2019 memorandum of understanding with Visa to develop infrastructure for digital payments, and many banks offer payment software and services to e-commerce websites to facilitate processing of online payments. To increase the number of IT professionals, Tashkent University of Information Technologies opened an e-commerce department in 2018.

*Can you list any local in-country partners that could provide further resources in support of ecommerce that we may want to hyper link to in the CCG?*

Potential in-country partners include the Ministry for Development of Information Technologies and Communications (<https://mitc.uz/en>), the Association of E-Commerce of Uzbekistan, the Chamber of Commerce and Industry of Uzbekistan (<http://www.chamber.uz/en>) and the American Chamber of Commerce ([www.amcham.uz](http://www.amcham.uz)). Humans.uz (<https://humans.uz/en/>), Uzbek Industrial and Construction Bank ([www.uzpsb.uz/en](http://www.uzpsb.uz/en)) and UzCard (<https://uzcard.uz/en>) are each developing e-commerce solutions.

### **Local eCommerce Sales Rules & Regulations**

E-commerce is regulated by the Law “On Electronic Commerce” issued on April 29, 2004 and updated in 2015. Under the law, electronic transactions should provide customers with the following information about the seller:

- the full name of the legal entity, with an indication of its organizational and legal form, or the surname, name and patronymic of an individual;
- postal and e-mail address, and information about company's state registration;
- the availability of a license in cases stipulated by law;
- the procedure for concluding an agreement in e-commerce;
- the possibility and procedure for making changes and additions to the agreement in e-commerce when agreeing on its terms;
- the procedure for sending and withdrawing an acceptance;
- terms of delivery and payment for goods (including works, services), as well as offered prices (including applicable tariffs) for them;
- indications of the conditions included in the agreement by reference to an electronic document posted in a publicly available information resource.
- a record of all electronic documents and messages should be retained.

The Cabinet of Ministers is responsible for implementation of state policy and programs in e-commerce and coordinates the activities of state bodies in this field. The Ministry for Development of Information Technologies and Communications is specially authorized by Cabinet of Ministers to oversee e-commerce.

Online access channels remain underdeveloped, and Internet penetration remains at 22%. While high-speed service is spreading, most users have access only at 3G connection speeds. Rural areas may be out of reach of even cellular networks, and are not wired for landline access.

### **Local eCommerce Business Service Provider Ecosystem**

The most popular online platform is [www.glotr.uz](http://www.glotr.uz), which allows local companies to create websites to sell products and services. Individual-to-individual transactions are more popular on [www.olx.uz](http://www.olx.uz). Several banks offer entrepreneurs and companies payment tools to set up e-commerce services on their websites and applications, which enable their customers to pay for products and services online. IT Park Uzbekistan, which was created in July 2019, includes 398 resident companies offering different types of digital services. The IT Park administration ([info@it-park.uz](mailto:info@it-park.uz)) can help clients connect to service providers.

The international E-commerce Day conference has been held annually since 2018. The annual ICT Week (organized each September) includes an E-commerce section.

### **Selling Factors & Techniques**

#### **Overview:**

In accordance with Uzbekistan's 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 food);
- 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.

## Trade Promotion and Advertising

There are several Western and local advertising firms operating in Uzbekistan. Radio commercials and out of home advertisements are also commonly used by Russian, Western, and local companies.

The main exhibition companies in Uzbekistan are ITECA Exhibitions (<https://iteca.uz/eng/ite/>) and International Expo Group (IEG – <https://ieg.uz/en>). ITECA Exhibitions holds 20 annual exhibitions featuring 14 industries and IEG organizes 12 international exhibitions annually. Most of them are held at Uzexpocentre —the largest exhibition center in Tashkent (<http://www.uzexpocentre.uz>).

Television remains the most popular means of advertising, hosting 70% of advertising sales. Outdoor advertising comes next with 20-25%, followed by digital space. Sevimli TV (<https://sevimlitv.uz/>), Zo'r TV (<https://www.zortv.uz/>), and Mening Yurtim are the most popular local TV channels in Uzbekistan. Russian TV channels have a large presence, as well. The Biznes Vestnik Vostoka (BVV – “Eastern Business Review”), Prestij (“Prestige”), Argumenty i Fakty (“Arguments and Facts”) and Ekonomicheskoe Obozrenie (“Economic Review”) are the most popular economic and business journals.

The commercial service of U.S. Embassy Tashkent provides its [Single Company Promotion](#) service for U.S. companies seeking exposure in Uzbekistan.

## 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. Some goods and industries enjoy tax and customs exemptions, but most imported goods are relatively more expensive than domestically produced equivalents. Rates of import customs duties and excise taxes are set by Presidential [decree](#). The current VAT rate is 15%.

## 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.

## Local Professional Services

- American Chamber of Commerce (<http://amcham.uz/>)
- American-Uzbekistan Chamber of Commerce ([www.aucconline.com](http://www.aucconline.com))
- Chamber of Commerce and Industry of Uzbekistan ([www.chamber.uz/en](http://www.chamber.uz/en))
- Business Women's Association of Uzbekistan (<http://adju.uz/>)
- [Pricewaterhouse Coopers Uzbekistan](#)
- [Ernst & Young Uzbekistan](#)
- [Deloitte & Touche LLC Uzbekistan](#)
- [KPMG Uzbekistan](#)
- [Baker Tilly Uzbekistan](#)
- Association of Customs brokers (<http://atb.uz/>)
- Investment Promotion Agency under the Ministry of Investments and Foreign Trade (<https://invest.gov.uz/>)
- Business Ombudsman (<https://biznesvakil.uz/en/>)

- Ministry of Investments and Foreign Trade ([www.mift.uz/en](http://www.mift.uz/en))

## **Principal Business Associations**

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

- American Chamber of Commerce in Uzbekistan (<http://amcham.uz/>)
- American-Uzbekistan Chamber of Commerce (based in Washington, D.C.) (<http://aucconline.com/>)
- Association of International Road Carriers (AIRCUZ) (<http://aircuz.uz/>)
- Business Women’s Association of Uzbekistan (<http://adju.uz/>)
- Chamber of Commerce and Industry of Uzbekistan ([www.chamber.uz/en](http://www.chamber.uz/en))
- Foreign Investors Council under the President of the Republic of Uzbekistan

Prior to 2017, business associations had little influence over government decisions and policy, but the government is increasingly willing to engage with representatives of foreign companies, such as the American Chamber of Commerce, on issues facing the business community. The Foreign Investors Council under the President of the Republic of Uzbekistan was created in 2019 to serve as an advisory body and institutional platform for direct dialogue between the Government of Uzbekistan and representatives of foreign investors and IFIs. Interim sessions are scheduled to be hosted at least twice a year by the Minister of Investments and Foreign Trade. A plenary session will be held once a year under the chairmanship of the president.

## **Limitations on Selling U.S. Products and Services**

There are no formal legal limitations on selling U.S. products and services in Uzbekistan. Official limits on foreign ownership remain in industries with strategic implications for national security. Lesser restrictions also apply to the media, finance, insurance, and travel industries. Legislation requires companies to hire Uzbekistani nationals for specific positions in banking and auditing companies: the chief accountant must be an Uzbekistani national, as must the CEO or at least one member of the Board of Directors. Only Uzbekistani nationals can be tour guides.

## **Trade Financing**

### **Methods of Payment**

The most common methods of payment in Uzbekistan are telegraphic transfer and letters of credit. Customers can open Visa, Mastercard and China Union Pay cards at local banks for international payments and travel, and use local cards UzCard and Humo for payments in the national currency.

Ahbor-reyting is a local credit rating agency, but all companies which want to be taken seriously seek credit ratings from Moody’s, Fitch Group, and S&P Global Ratings.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>.

## **Banking Systems**

There are 29 commercial banks in Uzbekistan, including five state-owned banks; 13 partly state-owned joint-stock banks; five banks with foreign capital; and six private banks. The total number of credit offices throughout the country, including microcredit organizations and branches of commercial banks is 8,610. 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 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.

## **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, full 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 Central Bank's foreign exchange policy is now market based, though the Central Bank will still smooth out sharp exchange rate fluctuations that arise from short-term mismatches between supply and demand. Further development plans for the foreign exchange market include gradually allowing exchange rate fluctuations in a wider band, and introducing currency swaps, options, futures, and other financial instruments.

## **U.S. Banks and 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. The U.S. Exim Bank has opened a credit line at NBU. Only the JP Morgan Chase bank has so far established a representative office in Uzbekistan.

## **Protecting Intellectual Property**

Uzbekistan remains on the Watch List in U.S. Trade Representative's (USTR) Special 301 Report on Intellectual Property protection in 2020. USTR's report on [Uzbekistan](#) (p.69.) is as follows:

"Uzbekistan remains on the Watch List in 2020. Uzbekistan took important steps recently to address long-standing issues pertaining to intellectual property (IP) protection and enforcement. In particular, accession to the Geneva Phonograms Convention and World Intellectual Property Organization (WIPO) Internet Treaties represents progress toward improving the copyright regime in Uzbekistan. The United States also recognizes the increased high-level political attention to IP, including Uzbekistan's support for and participation in the Central Asia IP Working Group. In addition, the United States notes the progress toward developing a new national strategy for IP. The United States encourages Uzbekistan to continue improving its copyright statutory framework, including through providing adequate protection for foreign sound recordings and implementing the WIPO Internet Treaties. Also, Uzbekistan needs to make progress to address other concerns raised in previous Special 301 Reports, including with regard to ex officio authority for enhanced border enforcement, allocating resources to administrative and enforcement IP agencies, and mandating government use of licensed software via presidential decree, law, or regulation".

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, link to our article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) or contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at [Stevan.Mitchell@trade.gov](mailto:Stevan.Mitchell@trade.gov).

The U.S. Department of Commerce has positioned IP attachés in key markets around the world. The contact e-mail address of IP attaché covering Uzbekistan is [dorian.mazurkevich@trade.gov](mailto:dorian.mazurkevich@trade.gov).

## **Selling to the Public Sector**

### **Selling to the Government**

Government agencies and large state-owned enterprises are the major importer of goods and services. By law, government and public sector procurements require clearance from the Ministry of Investments and Foreign Trade and the Center for Comprehensive Expert Examination of Projects and Import Contracts under the Ministry of Economy and Industry.

### **Opportunities**

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

- Healthcare: Medicine, medical equipment and devices
- Oil and gas: Technology, equipment and construction services
- Information and communication technologies: Telecommunication equipment and materials for mobile operators, hardware and software for state organizations and SOEs.
- Energy: Power generation and transmission equipment
- Construction services: Construction and repair of roads, water supply systems, and buildings.

Competitiveness factors (e.g., price, value, training, after-sales service), government processes (e.g., for announcing tenders, registering bidders), requirements (e.g., local representation), and challenges (e.g., transparency, preferential treatment).

Officially, the selection of foreign suppliers and contractors for each contract, project, or assignment is conducted through:

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

However, foreign businesses note that public procurement procedures are not always transparent. A bidder with an attractive financing proposal, such as long-term loans, can apply for exceptional preferences in a tender.

### **Differences in central, regional, and local procurements.**

There are no formal differences in rules, regulating central, regional, and local procurements. The Law on Public Procurements (effective from April 1, 2018) 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.

Legal requirements for selling to the host government, including whether the country or economy is a party to the [WTO Agreement on Government Procurement](#) or a party to a free trade agreement (FTA) with the United States that contains commitments on government procurement. (i.e., Australia, Bahrain, Canada,

Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Korea, Morocco, Mexico, Nicaragua, Oman, Panama, Peru, and Singapore).

The Law of the Republic of Uzbekistan on Public Procurements (ZRU-472) regulates trade with the government. State-owned enterprises may have their own procurement rules. Uzbekistan is not a party to the WTO Agreement on Government Procurement and is not a party to a free trade agreement (FTA) with the United States.

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy Center](#) for information on Foreign Government Contracts.

### **Financing of Projects**

There are several sources of funding for projects in Uzbekistan. These include government agencies, international financial institutions, publicly- and privately-financed investment funds, 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.

The government established the Public-Private Partnership Development Agency (<https://pppd.uz/en/>) in October 2018 to attract foreign investors to projects in the energy, communal services, transport, healthcare, education, culture and tourism industries. Companies from UAE, France, Saudi Arabia and Turkey agreed to invest in the construction and operation of power plants for 25 years, and Uzbekistan's government will allocate land and guarantee state purchases of electricity at the contracted price.

Uzbekistan is a member of the European Bank for Reconstruction and Development, World Bank, Islamic Development Bank, Asian Development Bank and Asian Infrastructure Investment 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.

In July 2020, the Ministry of Investments and Foreign Trade and the Development Finance Corporation (DFC) "agreed to regular engagement to identify and implement strategic infrastructure projects in Uzbekistan in the field of energy, transport, education, and health on the principles of public-private partnership with the involvement of DFC financing."

**Multilateral Development Banks and Financing Government Sales.** Price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects with loans from the Multilateral Development Banks (MDBs). A helpful guide for working with the MDBs is the [Guide to Doing Business with the Multilateral Development Banks](#). The U.S. Department of Commerce's (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five different Multilateral Development Banks (MDBs): the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank. Learn more by contacting the:

- [Advocacy Liaison for European Bank for Reconstruction and Development](#)
- [Advocacy Liaison for World Bank](#)
- [Advocacy Liaison for Asian Development](#)

## **Business Travel**

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### **Business Customs:**

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 attire for official meetings; business casual wear is appropriate for most social situations, and casual attire is acceptable for sightseeing and shopping. Uzbekistanis take pleasure in giving and receiving gifts. Inexpensive gifts do not have to be wrapped, while expensive ones should be. If giving flowers, it is important to give an odd number, as even numbers are only for funerals.

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

### **Travel Advisory:**

Please refer to the [State Department consular information sheet](#) for detailed information.

### **Visa requirements:**

A valid passport and visa are required to enter Uzbekistan. 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 Uzbekistan's embassies and consulates abroad, but e-visas may also be obtained online for citizens from qualifying countries, including the United States, using the form found at <https://e-visa.gov.uz>. Visitors coming from countries where Uzbekistan does not have diplomatic or consular representation should obtain visas in a third country. The Embassy has received a number of reports from American citizens who have had problems obtaining Uzbekistani visas or who received Uzbekistani 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 intended travel and to request a visa for multiple entries with a validity of 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 Uzbekistan's 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 were introduced in 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](http://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: <https://www.uzbekconsulny.org/page/658?language=en>.

U.S. Companies that require travel of foreign businesspersons to the United States are advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link(s): [State Department Visa Website](#).

### **Currency:**

Uzbekistan's law requires transactions to be in the local currency, the soum. The largest denomination bill is 100,000 soum (about \$10 as of April 2020). Some vendors and merchants, however, may accept payments in U.S. dollars.

Credit cards are not widely accepted in Uzbekistan, although major hotels, larger restaurants, and larger supermarkets in Tashkent are increasingly likely to accept Visa credit cards. Only a limited number of ATMs are available in large hotels and banks in Tashkent, although the number is growing. Travelers checks cannot be used in Uzbekistan.

### **Telecommunications/Electronics:**

The public telephone networks of Uzbekistan have more than two 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. The average speed of download in mobile internet is 11.78 Mbps and upload is 6.85 Mbps. Fixed broadband internet offers 28.52 Mbps download and 27.53 Mbps upload speed. Wi-Fi is available in most hotels and shopping malls in Tashkent and in large hotels in major tourist sites.

### **Transportation:**

Uzbekistan Airways (HY - <https://www.uzairways.com/en>) is the flag carrier of Uzbekistan. In addition to HY, Turkish Airlines, Korean Air, Asiana Airlines, Aeroflot and other airlines from former Soviet countries 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 was a long-time monopolist on all domestic flights, but Humo Airlines has recently been created as a competitor.

The National Railway Company of Uzbekistan, Uzbekiston Temir Yollari (UTY - <http://www.railway.uz/en/>), is the monopoly provider of passenger rail services. UTY operates the national railroad system, which connects most parts of the country with Tashkent. 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 high-speed trains. Tickets on the fast train very often sell out weeks to months in advance during the April-June tourist season. Road travel is a widely used option due to relatively well developed networks and a large number of privately owned automobiles. Tour companies use Chinese and used European buses. 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. Although Russian is still commonly used, business and public sector officials can increasingly speak English. 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 Eastern Standard Time +9 hours. The remainder of the year Uzbekistan is EST +10 hours. 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 rural provinces, the workday finishes earlier.

2020 Uzbekistan Holidays:

- January 1                      New Year's Day
- March 8                        Women's Day
- March 21-23                 Navruz
- May 9                          Remembrance Day
- May 23-24                  Eid Ramadan (Eid al-Fitr)
- July 31                        Kurbon Hayit (Eid al-Adha)
- September 1                Independence Day
- October 1                    Teacher's Day
- December 8                Constitution Day
- December 31                New Year's Day

**Temporary Entry of Materials and Personal Belongings:**

Materials and personal belongings of high value, including large quantities of cash (over \$2,000), need to be declared. It is prohibited to import (or transit with) narcotics, pornography, counterfeit items, explosive materials and drones. Uzbekistan's customs authorities may also enforce strict regulations concerning temporary import or export from Uzbekistan of items such as chemicals, 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, D.C. or the Consulate of Uzbekistan in New York for specific information regarding customs requirements for materials and personal belongings.

## **Investment Climate Statement (ICS)**

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The U.S. Department of State's Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State's [Investment Climate Statement](#) website.

## **Political Environment**

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.