Doing Business in Uzbekistan: 2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Uzbekistan

Market Overview Return to top

- Key Economic Indicators:

	2011	2012	2013
Nominal GDP (billion USD)Consumer price	45.3	51.7	53.6
inflation (percent)	12.7	12.9	11.4
Foreign Direct Investment (billion USD)	2.2	1,9	2.2
Current-account balance (million USD)	4,517	2,231	1,876
Exports FOB (billion USD)	15	14,2	15,1
Imports CIF (billion USD)	10.5	12	13.8

(Source: Data supplied by country authorities, IMF staff estimates, and World Bank)

- Major Trade Partners: (State Statistics 2013)
  - Russia: 24.4%
  - China: 18.1%
  - Kazakhstan: 11.2%
  - United States: 1.3%

- Political System: 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, particularly the Prosecutor General’s office, which heavily influences the courts, making commercial cases subject to political influence.

- Violent extremist groups, including the Islamic Movement of Uzbekistan, al-Qa’ida, the Islamic Jihad Union, and the Eastern Turkistan Islamic Movement, have not represented a threat to foreign investment in recent years.

Market Challenges Return to top

- Import Taxes and Duties: Duties on cars, electronics, appliances, foodstuffs, and textiles range from 5 percent to 200 percent, a result of measures taken by the Government to protect domestic industry.

- Currency Issues: All legal entities, including those with foreign investments, must have the Central Bank's permission to deal in foreign currency, and currency conversion has been problematic, particularly for importers of consumer goods and production inputs, with delays regularly stretching out more than a year.

- Overregulated Banking Sector: In late 2012, several private banks lost their license to conduct transactions in foreign currency. In 2013, one private bank lost its license. Also, credit unions were abolished in late 2012, but the leasing industry has grown in the past year, as has the number of private insurance companies.

- 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 Uzbek partners before entering the market.

Market Opportunities Return to top

The following industry sectors offer promise for U.S. exports:

- Food processing and packaging machinery and equipment
- Oil and gas exploration, extraction, and processing
- Textile machinery and equipment
- Road construction equipment and mining equipment
- Power production equipment

Market Entry Strategy Return to top

Companies should consider the following factors when developing a market entry strategy:

- Importer Solvency: Currency exchange is limited, but some importers keep offshore accounts or have hard currency from export operations. Businesses should confirm the availability and legality of this cash, as well as the solvency of partners, clients, and customers.

- Building Relationships: The government and public sector are major importers of goods and services, but their procurement procedures are complex. Solid relationships with decision-makers are useful, and employing a local representative or sales agent, in addition to visiting potential trade partners, especially in the initial stage of negotiations, is useful in developing professional relationships.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes: http://www.state.gov/r/pa/ei/bgn/2924.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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U.S. companies active in Uzbekistan most commonly use the following methods to get their product to 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.

It is important to have a reliable local partner or agent who knows the local market, customs, environment, and legislation. A U.S. exporter new to the market may contact the Economic/Commercial Section of the U.S. Embassy in Tashkent or the American Chamber of Commerce in Uzbekistan (www.amcham.uz) for general information on potential partners, agents or distributors.

Establishing an Office

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Companies opening local representative office must gain accreditation through the Ministry of Foreign Economic Relations, Investment and Trade (MFERIT) of Uzbekistan. Accreditation is valid from one to three years and in most cases, companies can extend their accreditation annually. The registration fee is approximately $1,200 and the application takes ten working days to process. MFERIT requires the following documents to accredit a local office:

1. A letter of application that:

- States the purpose of the proposed office and describes the organization's proposed activities;

- Lists the organization's business contacts in Uzbekistan;

- Lists relevant, signed commercial agreements and contracts indicating the subject, value, and length of validity; and

- Outlines prospects for future activities.

2. Two notarized copies of the organization's charter and foundation documents.

3. An MFERIT registration form, completed, signed and sealed by the head of the organization's office in Uzbekistan. Registration forms are available from MFERIT's Accreditation Department.

4. A certificate of registration in the applicant's home country.

5. A letter from a landlord showing consent to rent office space to the company.

6. An affidavit giving full authority to the head of the representative office in Uzbekistan to act on behalf of the company.

Within ten days of completion of the registration process, the representative office must inform local tax authorities of its existence. Detailed information is available from the Accreditation Department of MFERIT or its website: www.mfer.uz/eng

Franchising Return to top

The Uzbek market presents unexplored opportunities for fast-food and catering franchises. Some international companies have limited franchises in Tashkent, including Levi's, Mexx, Benetton, Bang and Olufsen, Zara, Adidas and Puma. The most serious barriers to franchising efforts are currency convertibility and weak Intellectual Property Rights protections.

Direct Marketing Return to top

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

Joint Ventures/Licensing

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In most cases, local joint venture partners depend on their foreign partners for the majority of capital investment, as they often have difficulty getting financing from local banks.

There are a number of joint venture types available to investors, including limited liability societies, open joint stock societies (OJSS), closed joint stock societies (CJSS), partnerships, and subsidiaries. According to the Uzbek Civil Code, owners are generally not responsible for a company's liabilities under these structures, but in cases where a parent company's actions lead to insolvency, the courts may hold them responsible. For a limited liability society, the equity capital cannot be less than fifty times the minimum monthly wage (MMW). At publication of this report, 1MMW was equal to 96,105 soums, or approximately $41. The minimum charter capital for a CJSS is 200 MMW, and for an OJSS, $400,000.

Uzbek legislation offers tax concessions to companies with foreign capital or enterprises with foreign investments. To qualify, an organization must meet the following criteria:

- Charter capital exceeds $150,000;
- At least one of the participants is a foreign legal entity; and
- The foreign partner owns at least 30% of the total charter capital.

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

Uzbek businesses with direct foreign investment and a charter capital greater than $150,000 do not pay taxes on profit or property and are exempt from payments to the road construction fund for their first three to seven years. There are twenty industries where this tax exemption is applicable, increased from eight in previous years. Construction of renewable energy power stations, packing material production, and petrochemical industry operations are among the newest industries to the list. These terms do not apply to businesses located outside Tashkent and the Tashkent region.

Uzbekistan's law on licensing applies to military equipment, precious metals, alloys, precious stones, radioactive substances, audio and video products, and the professional activities of foreign citizens in the country.

Selling to the Government

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The Government is the major importer of goods and services in Uzbekistan, though its procurement procedures are complex. Selection of foreign suppliers and contractors for each contract, project, or assignment is conducted through an open tender process, and the rules for tender offerings are described in the *Resolution of the Uzbek Government, No. 456*, issued in November 2000. The government announces its tenders in the domestic and international press, and the government conducts all procurements electronically.

Key opportunities for selling to the Government of Uzbekistan include:

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

Distribution and Sales Channels Return to top

Nearly half of Uzbekistan's population is concentrated in Tashkent and the Ferghana Valley, two possible market entry points for consumer product manufacturers. Residents of Tashkent have the greatest purchasing power in the country. Other large cities include Samarkand and Bukhara, which benefit from the oil and gas industries and tourism, and Navoi, which is home to Uzbekistan's gold mining enterprise. Uzbekistan is a double-landlocked country, so getting goods to the country can be complicated, but once in, distribution is easier because of the dense population and relatively small territory.

Selling Factors/Techniques Return to top

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

- Name of the product
- Manufacturer's name and contact information
- Ingredients and 'best before' date (for foodstuffs)
- User's manual (if applicable)
- Cautions (if applicable)

Manufacturers must label the products at their production facilities and Customs authorities will not allow the import of unlabeled products.

Electronic Commerce

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The number of Internet Service Providers has grown in Uzbekistan, but penetration remains low and government regulation is strict. Tashkent, with ninety percent of the country's Internet users, is the only viable e-commerce market in Uzbekistan. Although the Parliament approved the "Law on Electronic Digital Signature" in 2005, providing a basis for legal Internet transactions, the main barriers to development of e-commerce are insufficient electronic banking services and undeveloped trade regulations. Basic Internet service is adequate and Uzbekistan has extensive fiber optic networks. Increased Internet service delivery by mobile phone operators contributes to the potential for e-commerce, and there are approximately nineteen million cell phone users in the country.

Trade Promotion and Advertising

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Print and television are the most popular means of advertising. The *Bisnis vestnik vostoka* (BVV) (info@bvvonline.com) and *Nalogovie i tamozhennye novosti* newspapers and the *Prestizh* and *Economic Review* magazines have the widest readership. The most popular TV channels in Uzbekistan are Yoshlar, Toshkent, Navo, and Sports. Cable television services are becoming popular, as well, and they provide access to Russian programming, BBC, CNN, and local Uzbek channels.

There are several Western and local advertising firms in Tashkent. Foreign and domestic companies commonly advertise via radio, billboard, and transport (buses, trams). "Orange-Media" markets itself as a leader in outdoor advertising (www.orange-media.uz). SK Media Advertising Agency works with brand name companies (www.skmedia.uz ; info@skmedia.uz).

Uzbekistan has numerous trade shows covering a diverse array of sectors, including tourism, energy, technology and mining. UzExpoCenter—the largest exposition center in Tashkent (www.uzexpocentre.uz)—hosts the majority of these events. ITE Uzbekistan (www.ite-uzbekistan.uz) is the predominant exposition organizer in the country, though IEG-Uzbekistan (www.ieguzexpo.com), ZAR-Expo (www.zarexpo.com) and TNT Productions, Inc. (www.tntexpo.uz) provide similar services.

Pricing

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

Sales Service/Customer Support

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Expectations regarding customer support and sales service in Uzbekistan have risen steadily since Uzbekistan's independence. Many small 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 to service the equipment.

Protecting Your Intellectual Property

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Uzbekistan passed an intellectual property (IP) law in 2006 and established the Intellectual Property Agency of Uzbekistan in 2011 by uniting two different agencies covering IPR issues into one body, and introduced certain changes to enforce IP protection, but enforcement is weak and there are visible violations of IPR laws throughout the country. See Chapter 6 of this report for more information.

Several general principles are important for effective management of intellectual property rights in Uzbekistan. Companies should have an IP strategy when entering the market and should understand that the government of Uzbekistan may not protect their trademarks and patent registrations, as the country does not recognize international copyrights.

Registration of patents and trademarks is on a first-come basis, so some companies have applied for trademark and patent protection before entering Uzbekistan's markets. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Uzbekistan law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Uzbekistan require constant attention. Work with legal counsel familiar with Uzbekistan laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

Small and medium-size companies should understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Uzbekistan or U.S.-based, including:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

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

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

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

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit http://www.copyright.gov/.

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

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

- The U.S. Commerce Department has positioned IP attachés in key markets around the world.

Due Diligence Return to top

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, currency convertibility, 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 (www.amcham.uz) or any of the major international auditing companies with offices in Tashkent:

Price Waterhouse Coopers (http://www.pwc.com/uz/en/index.jhtml
Ernst & Young Uzbekistan (http://www.ey.com/OurLocations)
Deloitte & Touche LLC (http://www.deloitte.com/view/en_UZ/uz/contact-us/index.htm)
KPMG (http://www.kpmg.com/global/en/pages/locations.aspx)

The Embassy provides International Company Profile (ICP) services to assist U.S. firms in evaluating potential business partners by providing detailed reports on Uzbekistan companies. For more information, visit: http://uzbekistan.usembassy.gov/international-company-profile.html

Local Professional Services Return to top

A list of local professional services, with contact information, is available in Chapter 9, Contacts, Market Research, and Trade Events. See the following link for additional information on investing in Uzbekistan:
http://www.uzinfoinvest.uz/files/Invest%20in%20Uzbekistan.pdf

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- www.chamber.uz Uzbek Chamber of Commerce
- www.kommersant.uz Business in Uzbekistan information site
- www.uzdaily.com Economic, political and social news.
- tenders.uzreport.com Assists state institutions, private companies, and international organizations with the government tender process.
- www.afs-research.com Investment consulting company providing analytical reports and financial services facilitation
- www.press-service.uz Official press service of the President of Uzbekistan.
- www.uz General information on Uzbekistan, its government, economy, media and news.
- www.amcham.uz American Chamber of Commerce-Uzbekistan.

- www.lex.uz Uzbekistan's legislative database.
- www.ite-uzbekistan.uz The principal trade show organizer for exhibitions in Uzbekistan.
- www.adb.com Asian Development Bank
- www.undp.org United Nations Development Programme
- www.mfer.uz Ministry of Foreign Economic Relations, Investment and Trade of Uzbekistan
- www.uzinfoinvest.uz General economic information for foreign investors
- www.exporter.uz/en/ Information about Uzbek exporters
- www.cer.uz Center for Economic Research conducts and publishes studies of Uzbekistan's macroeconomic, financial, and economic developments

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial

Oil and Gas Production/Exploration Equipment and Services

Overview

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Unit: thousands of USD

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	n/a	2,000,000	2,500,000
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a	n/a
Total Imports	n/a	n/a	1,800,000	2,200,000
Imports from the U.S.	3,393	4,288	6,000	7,500
Exchange Rate: 1 USD	1,820	2,120	2,300	2,700

Data Sources: Import data is from: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c4644.html

Uzbekistan's estimated oil and natural gas reserves exceed 5.3 billion tons, and 5.1 billion cubic meters, respectively. The country is one of the world's top fifteen producers of natural gas.

Sub-Sector Best Prospects

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

Opportunities

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

Web Resources

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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:

- www.ung.uz
- www.utng.uz
- www.mfer.uz
- www.ite-uzbekistan.uz
- www.gov.uz
- www.chamber.uz
- http://uzbekistan.usembassy.gov/business.html

Food Processing and Packaging Equipment

Overview

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Unit: thousands of USD

	2012	2013	2014 (estimated)	20154 (estimated)
Total Market Size	40,000	48,000	55,000	60,000
Total Local Production	n/a	n/a	1,500	1,700
Total Exports	0	0	0	0
Total Imports	n/a	n/a	53,500	58,300
Imports from the U.S.	224	21	200	200
Exchange Rate: 1 USD	1,820	2,120	2,300	2,700

Data Sources: Import data is from: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c4644.html

Much of the existing food processing and packaging equipment is legacy Soviet equipment and is antiquated or does not meet present needs. Given Uzbekistan's potential to develop into a major food exporter, the demand for modern packaging and processing equipment is poised for growth. Uzbekistan produces 6 million tons of fruits and vegetables annually and as much as forty percent of this is lost due to shortfalls in processing and storage capability. Local production of packaging materials is minimal and relies heavily on imported inputs. Further development of this industry will require investment into processing, packaging and cold storage facilities, all representing opportunities for U.S. suppliers.

Sub-Sector Best Prospects

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

Opportunities

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

Web Resources Return to top

TO learn more about the food processing and packaging sector in Uzbekistan, upcoming procurements, and export opportunities, visit the following websites:

- www.ite-uzbekistan.uz
- www.vinprom.uz
- www.uzdon.uz
- www.uzmaslojir.uz
- www.investuzbekistan.uz
- www.mfer.uz
- www.cer.uz
- www.chamber.uz
- www.gov.uz

Textile Machinery and Equipment

Overview

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Unit: thousands of USD

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	65,000	75,000	78,000	85,000
Total Local Production	2,000	3,500	7,500	10,000
Total Exports	0	0	0	0
Total Imports	63,000	71,500	70,500	75,000
Imports from the U.S.	0	37	40	45
Exchange Rate: 1 USD	1,820	2,120	2,300	2,700

Data Sources: Import data is from: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c4644.html

Uzbekistan is the world’s sixth largest producer of cotton, and fifth largest exporter, with cotton sales representing approximately nine percent of the country’s total exports in 2013. Uzbekistan produces about one million tons of cotton fiber annually and over 350,000 tons of yarn. The government plans to increase the value of textile exports to more than $1.1 billion in the near future by increasing local processing.

The government is sponsoring the upgrade of textile companies and launching 31 new projects, worth nearly $232 million, emphasizing the export of ready-made garments, but the industry needs modern technology, not available in Uzbekistan at this time. The Uzbek Textile Associations plans to launch 32 new projects in 2014.

Sub-Sector Best Prospects

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Opportunities for U.S. companies in this industry exist primarily in the finishing machinery sector, including:

- Dying
- Finishing
- Spinning and weaving
- Packaging

Opportunities

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For specific opportunities, businesses should contact companies involved in the Uzbekistan’s textile sector.

Web Resources Return to top

U.S. companies and individuals interested in learning more about the textile machinery and equipment market in Uzbekistan, upcoming procurements, and export opportunities are encouraged to visit the following websites:

www.uzreport.com
www.mfer.uz
www.gov.uz
www.uzexpocentre.uz
www.cer.uz
www.ite-uzbekistan.uz
http://uzbekistan.usembassy.gov/business.html

Telecommunication/Information Equipment and Services

Overview

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Unit: thousands of USD

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	95,000	120,000	120,000
Total Local Production	2,000	2,000	5,000	5,000
Total Exports	0	0	0	0
Total Imports	n/a	90,000	110,000	110,000
Imports from the U.S.	1,382	3,639	5,000	5,000
Exchange Rate: 1 USD	1,820	2,120	2,300	2,700

Data Sources: Import data is from: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c4644.html

Uzbekistan has approximately 2,100 automatic telephone stations (ATS), of which more than ninety percent are digital, with a capacity of just over two million telephone numbers. There are approximately nineteen million mobile phone subscribers in Uzbekistan.

There are currently four mobile telephone operators working in Uzbekistan under the following brands: UCell, BeeLine, Perfectum, and UzMobile. With nine million subscribers and a 40% market share, MTS was the largest telecommunications provider in Uzbekistan until August 2012, when the Government of Uzbekistan revoked the company's operating license and arrested several of its top managers, citing regulatory violations that the company has repeatedly denied.

UCell and BeeLine are developing 3G networks in Uzbekistan, with a considerable portion of their activity aimed at Internet development and expansion. As of October 2013, the number of enterprises rendering data transfer services, including Internet, reached 924 and the total number of .uz domains reached 15,800.

The Uzbek government charged the State Committee on Communication, Information and Telecommunication Technologies with the development of a national information-communication system for 2013-2017. This project will speed the development of electronic government in Uzbekistan, enabling government agencies to provide interactive services to citizens and businesses. The Committee will also continue working on development of communication technologies, increasing the speed of data transfer, and complete the construction of a 2,000 km fiber-optic network.

Sub-Sector Best Prospects

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Because the emphasis in this sector is on upgrading existing network capabilities and broadening services to subscribers, the greatest opportunities lie in hardware and products for the ISP and cell phone sectors.

Opportunities Return to top

U.S. companies are encouraged to open and support local representation offices and technical support centers in Uzbekistan. Tashkent hosts annual telecom sector exhibitions, which are organized by the Uzbek Agency for Communication and Computerization.

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www.ccitt.uz
www.api.uz
www.uzreport.com
www.mfer.uz
www.gov.uz
www.uzexpocentre.uz
www.cer.uz
www.ite-uzbekistan.uz
http://uzbekistan.usembassy.gov/business.html

Road Construction Equipment

Overview

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Unit: thousands of USD

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size		est. 30,000	40,000	55,000
Total Local Production	0	0	0	0
Total Exports	0	0	0	0
Total Imports		29,000	38,000	35,000
Imports from the U.S.	1,000	1,500	2,000	5,000
Exchange Rate: 1 USD	1,820	2,120	2,300	2,700

Data Sources: Import data is from: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c4644.html

Uzbekistan has adopted a program to develop its infrastructure for transport and communication from 2011through 2015. In this effort, Uzbekistan will spend $3.4 billion on construction and maintenance of over 2,300 kilometers of roads to bring them up to international standards. The government will fund $2.1 billion of this amount and will use foreign loans to fund the balance.

Uzbekistan constructed and repaired some 530 kilometers of roads for a total value of $565 million in 2013. The majority of funds for these projects came from the Road Fund of Uzbekistan, and the balance from other sources, such as the Asian Development Bank and other multinational institutions.

Sub-Sector Best Prospects

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Manufacturers of earth moving, mobile asphalting, asphalt layering, laser leveling, and other related equipment have prospects for exports to Uzbekistan through the government's public tenders. Additionally, consulting companies engaged in highway engineering have skills needed in Uzbekistan.

Opportunities

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U.S. companies interested in road construction projects in Uzbekistan should open and maintain offices for local sales agents and a local technical support center. The annual exhibition UzKoMak, which covers the road construction sector, will be held in Tashkent on October 21-23, 2014.

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www.uzavtoyul.uz
www.uzreport.com
www.mfer.uz
www.gov.uz
www.uzexpocentre.uz
www.cer.uz
www.ite-uzbekistan.uz
www.uzaart.uz
http://uzbekistan.usembassy.gov/business.html

Agricultural Machinery and Equipment

Overview

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Unit: thousands of USD

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size		48,000	55,000	60,000
Total Local Production	38,000	38,000	40,000	40,000
Total Exports	6,360	6,000	5,000	5,000
Total Imports	n/a	n/a	15,000	20,000
Imports from the U.S.	3,500	4,000	5,000	7,000
Exchange Rate: 1 USD	1,820	2,120	2,300	2,700

Data Sources: Import data is from: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c4644.html

Agriculture is one of the most important sectors of Uzbekistan's economy, employing 29 percent of the labor force. Uzbekistan's agriculture machinery industry, once prominent for its production and export of tractors, cotton-harvesting machinery, ploughs, and cultivators, has declined steadily since the fall of the Soviet Union. The government anticipated that the lack of machinery would negatively affect agriculture production and began importing U.S.-made tractors and harvesters in the early years of its independence. In 1997, the government entered into several joint ventures with Case New Holland and began producing tractors and planters locally. Additionally, the government revitalized its existing domestic tractor factory, where it produces low-horsepower tractors and other equipment. The government also established a leasing company to assist farmers, giving preferential funding to farmers through its Agricultural Bank. Uzbekistan still imports a substantial amount of agricultural machinery and technology from Russia, Belarus, the U.S., Germany and China. With the rapid development of horticulture across the country, demand is increasing for harvesting and processing equipment, cold storage and warehousing, transportation, and packaging of agricultural products. Laser leveling and irrigation technologies can also be implemented to increase yield and better commercialize Uzbek agricultural production.

Sub-Sector Best Prospects

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Mid- and high-horse power tractors, grain harvesters, planters, ploughs, fruit harvesters, and cold storage equipment represent the best opportunities for U.S. manufacturers of agricultural machinery and technology.

Opportunities

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Having a sales agent and technical support service center is vital since agricultural equipment needs to be certified and approved by government agencies. U.S. companies can also improve their prospects by participating in Uzbekistan's annual exhibition of Agriculture Machinery and Equipment—AGROWORLD Uzbekistan, which will be held in Tashkent April 2015.

Web Resources Return to top

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

- www.ite-uzbekistan.uz
- www.agroleasing.uz
- www.mfer.uz
- www.cer.uz
- www.chamber.uz
- www.agrobank.uz
- www.gov.uz
- http://uzbekistan.usembassy.gov/business.html

Irrigation Equipment and Technology

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Unit: thousands of USD

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	n/a	n/a	3,750	5,250
Total Local Production	1,300	1,500	2,000	3,000
Total Exports	200	250	250	250
Total Imports	n/a	n/a	2,000	2,500
Imports from the U.S.	0	0	1,000	2,500
Exchange Rate: 1 USD	1,820	2,120	2,300	2,700

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources: Import data is from: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c4644.html

The irrigation sector is the subject of close attention by the Government of Uzbekistan, given the limits of domestic water resources, increasing population, and the prominence of agriculture in the country. Uzbekistan has 55 water reservoirs, of which 30 are located in the Amudarya basin and 25 are in the Syrdarya basin. Uzbekistan also possesses 500 natural lakes and 1,448 wells. Underground water sources meet 80 percent of the demand for water in Uzbekistan. Uzbekistan is striving to diversify its agriculture production and to reduce its dependency on cotton. The government has identified 35 priority projects for significant reconstruction of irrigation facilities and improved water supply to irrigated land, and all of these projects will be implemented by 2015. In particular, the plan calls for the reconstruction of 20 pumping stations with a total capacity of more than one million hectares, and the restoration of the irrigation and drainage systems in the Fergana Valley, which involves 700,000 hectares. Additionally, the government has plans to build a mudflow and water storage system in Kashkadarya, which will involve the reconstruction of 460 kilometers of canals. In 2012, the government authorized the Ministry of Agriculture and Water Resources to implement ten long-term projects aimed at improving the water supply system. The largest of these is the “Management of Water Resources in the Fergana Valley and Zarafshan" project, with a total cost of $144 million. The state-owned leasing company, Uzmeliomashleasing, will buy irrigation equipment worth $60 million in 2014 via its tendering process.

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Uzbekistan is spending substantial money on rehabilitating pumping stations and replacing old pumps with energy and cost efficient models. Water-saving technologies used in irrigation, such as self-propelled sprinklers and drip irrigation technology, present opportunities for U.S. companies.

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Interested U.S. companies should watch for tenders announced by international development banks, which are the largest funding organizations for irrigation projects, and which offer fair and transparent bidding processes. U.S. companies interested in irrigation projects in Uzbekistan should participate in the annual exhibition of Agriculture Machinery and Equipment—AGROWORLD Uzbekistan, which will be held in Tashkent April 2015.

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

- www.ite-uzbekistan.uz
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- www.cer.uz
- www.chamber.uz
- www.agrobank.uz
- http://uzbekistan.usembassy.gov/business.html

Agricultural Sectors

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Agriculture is a staple of Uzbekistan's economy, accounting for approximately 17 percent of GDP and employing 29 percent of the labor force. Cotton, the country's principal crop, accounts for approximately 9 percent of Uzbekistan's export earnings in 2013, though cotton production has fallen approximately 35 percent since the country gained independence. The government hopes to increase agricultural productivity through the adoption of new technologies, and to develop processing and packaging capabilities to add value to domestic and export products. The Government plans to develop the country's textile sector and thereby process more of its own raw cotton into intermediary or consumer goods for export. Presently, Uzbekistan exports more than 75 percent of its cotton unprocessed.

To improve the country's food security, the government has emphasized wheat production over the past few years. Moreover, the profitability of fresh fruits and vegetables has increased and the government has aggressive plans for developing export markets for these products.

According to the USDA, U.S. agricultural exports to Uzbekistan decreased 33% in 2012. Exports mainly consisted of tobacco, eggs, planting seeds, snack foods, and other consumer-oriented products.

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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Import taxes include:

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

Customs duties for imported goods range from 0-200 percent, but the average rate is approximately thirty percent. As of 2009, the government does not apply customs duties to imported live animals, milk and cream, wheat, X-ray films, and computer hardware; it does apply 10-30 percent duties to imported clothing, furniture, metals, and foodstuffs, and 50 percent duties to luxury consumer goods such as cigarettes and cars. The highest customs duty—200 percent—is levied on imported ice cream products. The following categories of imported goods are exempt from custom duties:

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

Excise tax, charged as a percentage of the declared customs value, must be paid on certain products, such as cigarettes, vodka, ice cream, oil and gas condensate, fuels, cars, and carpets. Excise tax rates vary depending on the type of imported good and may deviate significantly. For example, the excise tax for jewelry is 140 percent, but five percent for non-luxury passenger cars.

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

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

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

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The Ministry for Foreign Economic Relations, Investment, and Trade (MFERIT) requires all Uzbek enterprises engaged in export/import operations to register as participants in international trade relations. Uzbek companies or individuals mayo conduct trade with foreign enterprises directly or through foreign trade agents.

The following import contracts are subject to examination by MFERIT:

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

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

- Contract;
- Certificate of conformity for certain products—a complete list is defined by the Cabinet of Ministers
- Certificate on registration of the contract with the MFERIT and/or contract with the seal indicating registration with an authorized bank

- Passport of an import deal (a document describing a contract on import and its terms, signed by the importer, a bank, and a customs officer)
- Certificate of the availability of funds in either foreign or domestic currency that would have no liabilities or a guarantee of an authorized bank, according to the established form, which confirms an importer's ability to pay for a contract
- Cargo customs declaration
- Commercial invoice
- Phyto-sanitary and veterinary certificates
- License (as applicable)
- Permission from authorized banks (as applicable)

U.S. Export Controls Return to top

For information regarding U.S. government export controls, please contact the U.S. Department of Commerce's International Trade Administration or a U.S. Export Assistance Center (located in more than 100 U.S. cities). Contact information is available on the following website: http://www.buyusa.gov/home/us.html

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Companies exporting goods into Uzbekistan temporarily must declare them under the Customs Service's temporary importation regime. Procedures and requirements regarding temporary imports depend on the purpose and terms of transaction. Firms are required to deposit the value of transiting goods in a local bank, and the bank will refund the money once the goods have transited, but numerous businesses have related difficulties with this system, explaining that the banks delayed or only partially returned their funds.

Uzbekistan legislation establishes a list of products prohibited from transit through the country, including objects of armament, ammunition and military equipment; aircraft, and aircraft parts and equipment; machinery designed for manufacturing armament, ammunition and aircraft; explosives; poisons; and, certain other items. The transit of these products may, however, be carried out if the Ministry for Foreign Economic Relations, Investment, and Trade authorizes the action, with approval of the Cabinet of Ministers.

Labeling and Marking Requirements Return to top

Manufacturers must label all products they export into Uzbekistan in the Uzbek language at the point of manufacture. This regulation is strictly enforced and noncompliant products will be barred from entry.

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

Prohibited and Restricted Imports Return to top

In addition to the items prohibited from transit, the Government of Uzbekistan prohibits import of literature, films, or other media that aim to undermine the state and social structure; disrupt Uzbekistan's territorial integrity, political independence, or state sovereignty; propagate war, terrorism, or violence; promote ethnic exclusiveness; or inflame religious hatred or racism. Pornography is also a prohibited import item.

Customs Regulations and Contact Information Return to top

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

The customs clearance process normally occurs in the territory where the customs authority is located. However, if requested by the party concerned, the government may authorize customs clearances in other locations. The Customs Code of Uzbekistan stipulates that government officials complete customs formalities within ten days of receipt of the customs declaration and other necessary documents. A customs broker, an individual, or a legal entity may declare goods. The person or entity that declares the goods must fulfill all obligations and carries full responsibility provided under legislation, regardless of whether this person or entity is the importer or a customs broker. A customs broker is a legal entity in Uzbekistan that conducts customs clearing operations on behalf of the person or entity that it represents. The State Customs Committee contact information follows:

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

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Uzbekistan uses technical standards based on outdated Soviet methods and which include more than 65,000 documents. Standards for imported goods are subject to state registration through branches of the Uzbek Agency for Standardization, Metrology and Certification. Uzbek legislation imposes the following standard documents:

- International (interstate, regional) standards
- Uzbek National standards
- Industrial standards
- Technical specifications
- Standards of the enterprise
- National standards of foreign countries
- Administrative-territorial standards

Despite regulations to the contrary, customs officials routinely reject foreign certificates of conformity to these standards. Perishable goods are subject to burdensome sanitary tests, making it difficult, for example, for restaurants and hotels to use imported foods.

Standards Organizations Return to top

The Uzbekistan Agency for Standardization, Metrology and Certification is responsible for certification and standardization policy. Industry-regulating agencies develop standards under their authorities.

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

Conformity Assessment

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The Center for Testing and Certification, together with territorial subdivisions and seventy-three accredited bodies, oversee testing and certification. The Department for Conformance Acknowledgement and Technical Policy coordinates and gives general guidance for certification.

Product Certification

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The list of imports subject to obligatory certification includes foodstuffs, alcohol and soft drinks, tobacco, minerals, metal products, fuels, crude oil and oil refinery products, fertilizers, perfumes, cosmetics and toiletries, poisons, plastics, rubber products, wooden products, paper products, textile products, certain types of clothing, reactors, boilers, equipment for transportation other than railway, electronics, and toys. Uzbekistan does not have any mutual recognition agreements (MRAs) with U.S. organizations.

Accreditation

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

- The Ministry of Labor and Social Protection accredits the professional activity of foreign employees

- The Ministry of Culture accredits audio, video and film product importation

- The State Committee for Nature Protection accredits the import of substances with potential hazardous environmental implications

Certain industries require their own accreditation labs. For example, the Ministry of Health accredits all labs engaged in testing imported medicines.

Publication of Technical Regulations

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There are no newspapers on technical regulations. U.S. entities may direct inquires to the UzStandart Agency through its website: www.standart.uz. The website has a 'Questions and Answers' tool.

Labeling and Marking

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In accordance with Uzbek legislation on 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 (if applicable)
- User’s manual (if needed); and Warnings (if any)

Contacts Return to top

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

State Tax Committee of the Republic of Uzbekistan
Address: 13A, Abdulla Kadiriy St., Tashkent 700011
Telephone: (998) +71 244-98-98
Fax: (998) +71 244-89-12
Email: solik@dostlink.net

Uzbekistan Agency for Standardization, Metrology and Certification - "Uzstandart"
Address: 333 "A" Farobiy St., Tashkent 700049
Telephone: (998) +71 244-96-01, (998)+71 246-85-07, 246-19-61
Fax: (998) +71 244-80-28, 244-80-29, 244-80-31
Email: uzst@standart.uz
Web Site: www.standart.uz

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

U.S. Embassy
Mr. John Etcheverry
BusinessInUzbekistan@state.gov
Political/Economic Section
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Tel: [998] (71)120-5450
Fax: [998] (71) 120-6335
http://uzbekistan.usembassy.gov/

American Chamber of Commerce
Mrs. Tatyana Bystrushkina
Executive Director

2, Afrosiab St. Tashkent 100031
Uzbekistan
Tel: [998] (71)140-0877
Fax: [998] (71)140-0977
http://www.amcham.uz/

Trade Agreements

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Uzbekistan has signed bilateral investment or free trade agreements with forty-seven countries, including the United States, but the agreement with the U.S. has not entered into force. In 2006, Uzbekistan began the accession process to the Eurasian Economic Community (EURASEC), but later, in November 2008, suspended its membership in the organization.

In 2004, Uzbekistan signed the regional Trade Investment Framework Agreement (TIFA) with the U.S. Trade Representative's Office and its four Central Asian neighbors. Uzbekistan is not a member of WTO, but has expressed its interest in accession. Uzbekistan took a positive step toward joining the CIS Free Trade Zone, and its legislature will likely ratify its memberships before the end of 2014.

Web Resources

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- www.standart.uz
- www.mfer.uz
- www.gov.uz
- www.uzreport.com
- www.export.gov
- www.chamber.uz

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Chapter 6: Investment Climate

Openness to Foreign Investment

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1. Openness to, and restrictions upon, foreign investment

Attitude toward FDI:

The government of Uzbekistan ("the government" or “the GOU”) has declared attracting foreign direct investment a core policy priority. However, Uzbekistan has one of the lowest cumulative inflows of FDI in the former Eastern Bloc due to a range of factors, including limited access to foreign currency, an underdeveloped and overregulated banking sector, trade restrictions, government involvement in trade and commerce, and widespread corruption.

Without support of the government or entities affiliated with the state, foreign investors have limited business opportunities in Uzbekistan. The government generally welcomes investors and investment projects that are in line with its import-substitution and export-oriented industrialization policy, and discourages investments in import-consuming sectors by controlling access to foreign exchange.

FDI levels fell well below government targets in 2011 and 2012, prompting President Karimov to create the Working Committee on Improvement of Uzbekistan's Ranking on the World Bank's *Doing Business* report, and to issue a number of decrees aimed at improving the business environment. These decrees emphasized *one-window* practices and electronic reporting systems aimed at reducing direct contacts between entrepreneurs and government entities, but they have not addressed a number of fundamental problems plaguing the businesses and investors.

Formally, foreign investors are welcome in all sectors of the Uzbek economy. According to law, the government cannot discriminate against foreign investors based on their nationality, place of residence, or country of origin. At the same time, the government's involvement and control in key industries can have discriminatory effects on foreign investors. For example, the GOU retains strong control over all of the country's economic processes and maintains controlling shares of key industries, including energy, telecommunications, airlines, and mining. The government regulates investment and capital flows in the raw cotton market and controls all silk sold in the country, dampening foreign investment in the textile and rug-weaving industries. Partial state ownership and influence are common in almost all sectors of the economy.

Other Investment Policy Reviews:
The Organization for Economic Cooperation and Development (OECD) and the World Trade Organization (WTO) have not completed investment policy reviews of Uzbekistan in recent years. The United Nations Committee on Trade and Development (UNCTAD) published its Investment Policy Review of Uzbekistan in 2006: http://unctad.org/en/pages/PublicationArchive.aspx?publicationid=520), and contributed to the Uzbekistan Investment Guide report in 2009: http://www.jp-ca.org/data/investmentguide2009.pdf.

The report notes that the GOU did not address IMF and UNDP recommendations regarding liberalizing trade and supplying complete, accurate, and accessible official statistics.

Laws/Regulations of FDI:
Primary legislation protecting foreign investors include the *Law on Foreign Investments*, the *Law on Guarantees and Measures on Protection of Foreign Investments*, the *Law on Guarantees of the Freedoms of Entrepreneurial Activity*, the *Production Sharing Agreements Law*, the *Law on Investment Activities*, and a number of decrees and resolutions.

Uzbekistani law provides the following rights to foreign investors:

- To decide the amount, kinds, and channels of investments;
- To conclude agreements to carry out investment activity;
- To own, use and dispose of investments and the results of investment activity;
- To patent inventions, models and industrial samples belonging to the foreign investor;

- To repatriate profits from Uzbekistan or to reinvest them into Uzbek entities;
- To obtain financial resources in the form of credits and loans;
- To convert local currency into foreign currency;
- To possess and use land on terms provided by the legislation;
- To receive compensation for investments/ assets in case of expropriation by the state; and
- To receive compensation for losses incurred due to illegal activity/decisions of the state.

A foreign investor may participate in a variety of legal forms of business, ranging from partnerships to joint-stock companies to wholly owned enterprises. Businesses with foreign investment must register with the Ministry of Justice or the regional governor's office (Khokimyat). Recent amendments to the Law on Foreign Investments (effective January 20, 2014) introduced the *single-window* process for business registration of businesses with foreign investments. According to the law, the registration process should take no more than seven business days after submission of a complete application package.

Depending on the extent of foreign participation, a business may be considered an "enterprise with foreign capital" (less than 30 percent foreign-owned) or receive special status as an "enterprise with foreign investment" (more than 30 percent, with a minimum charter capital).

Foreign companies may also maintain a physical presence in Uzbekistan as *permanent establishments* without registering a separate legal entity (other than with tax authorities). A permanent establishment may have a bank account.

Uzbekistan's investment legislation provides a range of guarantees for foreign investors, including:

- Protection against discrimination based on nationality, place of residence, or country of origin;
- Fair and equitable treatment;
- Protection from harm caused by retroactive implementation of legislation;
- In the case of changes to legislation, the right to apply at their own discretion those provisions of the new legislation which provide for better conditions for their investments;
- Protection from interference by the state in the economic activity of foreign investors which are carried out in accordance with the law; and
- Any change in legislation that worsens foreign investment conditions shall not be applied to those investments until ten years following the date of the investments.

Though the government nominally guarantees these rights, the legislation is ambiguous and self-contradicting. Several of the rights, such as converting and repatriating profits and conducting business without government interference, are routinely violated, and currency conversion difficulty is cited most frequently by foreign firms as the greatest impediment to doing business in Uzbekistan.

In principle, the judicial system upholds investor rights and the sanctity of contracts. The judiciary is not independent, however, and regularly favors state-owned or government-affiliated entities. Foreign investors have reported numerous procedural infractions in both the Economic and Criminal courts of Uzbekistan and the Embassy knows of a number of cases in which foreign companies did not receive timely payments from local partners.

Local legislation contains a number of disapplications (deeming that they do not apply to the state), which allows state interference and concedes equivocation of the law within the judicial system. Corruption is a constituent factor in legal proceedings, primarily in disputes between private businesses.

Industrial Strategy:
The GOU encourages FDI through various tax incentives offered to companies investing in the following industries:

- Oil & gas exploration and extraction;
- Radio-electronic and IT hardware manufacturing;
- Light industry:
- Silk industry:
- Building materials production:
- Poultry, meat, dairy, and fish production;
- Food processing;
- Chemical and petrochemical industries;
- Pharmaceutical industry;
- Packaging materials production;
- Alternative energy;
- Coal processing;
- Production of ferrous alloy;
- Machinery, tool, and instrument production industry;
- Glass and porcelain production;
- Production of microbiology products;
- Production of toys (excluding rubber toys); and
- Tourism infrastructure development.

Please see **Performance Requirements and Investment Incentives** in this document for more details.

The government maintains the following list of projects where it is seeking foreign investors and technical assistance:
http://www.uzinfoinvest.uz/eng/investment_projects/foreign_direct_investments/

For detailed information on GOU programs to attract foreign investments, visit the Ministry for Foreign Economic Relations, Investment and Trade's dedicated website: http://www.uzinfoinvest.uz/eng/

Limits on Foreign Control:

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

There are several official limits to foreign investment. Foreign ownership and control are prohibited for airlines, railways, power generation, long distance telecommunication networks, and other sectors deemed to be related to national security. Restrictions also apply to media, banking, insurance, and tourism.

Foreign investment in media enterprises is limited to 30 percent. In banking, foreign investors may operate only as joint venture partners with Uzbek firms and banks with foreign participation face fixed charter funding requirements (€10 million for commercial banks, €5 million for private banks), while the required size of the charter funds for Uzbek firms is set on a case-by-case basis. In the tourism sector, foreign ownership cannot exceed 49 percent.

Privatization Program

The GOU renews its privatization programs every two years. The government had not published its 2014-2015 program prior to publication of this Investment Climate Statement, but its privatization program for 2012-2013 provided a list of 560 state-owned assets to be privatized. The list mainly consists of auxiliary or ineffective assets of state-owned enterprises and lossmaking public facilities. According to the official reports, only about 140 of these assets were privatized by the end of 2013.

The main mechanisms for selling state assets are public tender or auction, but often the process is transparent only at the initial stage. In some cases, the government uses financial consultants to privatize large enterprises. In June 2012, the government allowed foreign investors to buy state-owned, low-liquidity facilities at zero redemption cost with the condition of a specific investment commitment.

Many investors note a lack of transparency at the final stage of the bidding process, when the government negotiates directly with bidders before announcing the results. In some cases, the bidders have been foreign-registered companies associated with influential Uzbek families who have tenuous foreign addresses. Furthermore, the GOU is still unwilling to privatize state-owned monopolies in sectors that are potentially attractive for private investments, such as energy, railways, and airlines.

Screening of FDI:
The government closely scrutinizes all foreign investment, with special emphasis on sectors of the economy that it considers strategic, including mining, cotton processing, oil and gas refining, and transportation. There is no standard and transparent screening mechanism, and the legal framework is designed to protect domestic industries and limit competition from abroad. Screening can be used to limit investment in certain industries and by certain countries, depending on Uzbekistan's current policy priorities.

The government also uses licensing as a tool to control enterprises in the telecommunications, energy, wholesaling, and tourism sectors. Often licenses for business operations in these sectors are issued by agencies that themselves have commercial interests in the sector.

A charter fund of an enterprise with foreign investment exceeding $20 million needs special government approval, usually in the form of a Cabinet of Ministers resolution, to register the enterprise. Smaller investments in certain sectors of the economy also require permission from government authorities, although there is no official list of what these sectors are and enforcement is perceived to be random. In any case, filing for a standard business license is mandatory.

Screening is an instrument of the government to control developments in the economy. It can be used to limit investment in certain industries and by certain countries, depending on Uzbekistan's current policy priorities.

The government reserves the right to cancel the registration of any business or withdraw its license. Lengthy government inspections may lead to punitive sanctions or subsequent closing. Each ministry within the government has the authority to determine when companies under its jurisdiction need licensing, but the Ministry of Justice conducts most of the business screening reviews in Uzbekistan. The Economic Court has the authority to close an enterprise, while the Superior Economic Court can overturn its decisions though an appeals process, in accordance with the Economic Procedural Code and other applicable local law. Court reviews are slow and some foreign investors, including U.S. firms, have characterized the process as unpredictable and non-transparent.

Competition Law:
The main entity that reviews transactions for competition-related concerns is the State Committee for Privatization, Demonopolization and Development of Competition. This agency is responsible for developing a competitive environment, limiting monopolistic activities and regulating natural monopolies, reorganizing economically insufficient ventures, supporting the development of entrepreneurship, protecting consumer rights, and controlling advertising activities. The Committee operates directly and through its territorial units, as well as through its non-profit consulting unit, the Antimonopoly Policy Improvement Center.

Investment Trends:

Uzbekistan has one of the lowest cumulative inflows of FDI in former Eastern Bloc. According to the IMF, the volume of net FDI and portfolio investment is less than $800 million per year. The GOU reports about $2 billion in FDI per year, but this figure reflects contractual pledges, rather than actual investments. The World Bank raised its *Ease of Doing Business Index* ranking for Uzbekistan from 154 in 2013 to 146 for 2014. Accompanying analysis indicates that new legislation on insolvency made some improvement; however, other indicators, such as Trading Across Borders, Protecting Investors and Paying Taxes have deteriorated. Uzbekistan still holds the worst rank among the former Soviet republics.

Foreign and local investors suffer from government interference in investments, and bureaucratic obstacles consume significant time and resources. The current system of taxation is complicated and ambiguous, leading to widespread corruption and rent seeking. Offset of losses is not possible under current tax laws, and a company that does not show a concrete profit for six months can be deemed bankrupt by the government and becomes subject to takeover. Currency restrictions through the banking system hamper business and economic development, as do restrictive trade policies. International surveys and rankings routinely assign Uzbekistan low scores for corruption and economic freedom.

TABLE 1: The following chart summarizes several well-regarded indices and rankings of Uzbekistan

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2013	168 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation’s Economic Freedom index	2013	163 of 178	http://www.heritage.org/index/ranking
World Bank’s Doing Business Report “Ease of Doing Business”	2013	146 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	133 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	$1,720	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B: Millennium Challenge Corporation Scorecards of Uzbekistan

Measure	Year	Index or Rank
MCC Government Effectiveness	FY2014	-0.02 / 47%
MCC Rule of Law	FY2014	-0.37 / 22%
MCC Control of Corruption	FY2014	-0.32 / 22%

MCC Fiscal Policy	FY2014	4.7 / 100%
MCC Trade Policy	FY2014	66.1 / 44%
MCC Regulatory Quality	FY2014	-0.86 / 9%
MCC Business Start Up	FY2014	0.976 / 96%
MCC Land Rights and Access	FY2014	0.62 / 47%
MCC Natural Resource Protection	FY2014	12.9 / 23%
MCC Access to Credit	FY2014	31 / 66%
MCC Inflation	FY2014	12.1 / 19%

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2014 per capita gross national income (GNI) of $4,085 or less. A list of MCC scorecards for Uzbekistan is available here: http://www.mcc.gov/documents/scorecards/score-fy14-english-uz-uzbekistan.pdf Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

Conversion and Transfer Policies Return to top

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

In practice, however, multiple informal restrictions remain in place. The government reportedly issues banks confidential instructions regarding which orders are to be filled. 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.

There have been no recent changes in the rules regulating current account transactions. Banking regulations mandate that the currency conversion process should take no longer than two weeks, but current lag times range from three months to well over a year, making import of intermediate goods, raw materials, and manufacturing components difficult or impossible. During these delays, the entire amount to be converted is impounded by the Central Bank of Uzbekistan (CBU) in a non-interest bearing account, contrary to existing legislation. The government enforces tight foreign exchange control methods in its efforts to minimize capital outflow, regulate imports, stimulate local manufacturing, and reduce the country's dependency on external factors.

Investors can use foreign currency income or export earnings to pay remittances and other investment obligations, but only after meeting the government's mandatory surrender requirements. The GOU mandates companies to exchange 50 percent of their foreign currency earnings for local currency through authorized banks at the official exchange rate. Exemptions to this requirement may be provided to some smaller companies or to majority foreign-owned companies that export manufactured goods for not less than 60 percent of their total profit.

There are two legal exchange rates in Uzbekistan: the commercial (wire-transfer) rate and the exchange booth rate (2,236 and 2,272 soum per U.S. dollar, respectively, as of March 2014). Some businesses use a semi-official exchange mechanism through the Uzbekistan Commodity Exchange, where the dollar value usually exceeds the official rate by 60-65 percent, but is a closer reflection of the Uzbek currency's true market value.

Individual entrepreneurs often trade in the unofficial (black) market, which trades at its own rate (2,900 soum per U.S. dollar in March 2014), and which exceeds the official exchange booth rate by roughly 30 percent. These currency exchange operations are illegal.

Exchange booths provide services only to individuals and apply rigid limitations. By law, all citizens have access to the exchange booth rate, but in practice exchange booths don't sell foreign cash. Private money transfer services work only with individuals and have upper thresholds for remittances in foreign currency.

The U.S. Treasury has no currency manipulation records on Uzbekistan. The GOU accelerated the annual rate of nominal depreciation of its currency to 12.7 percent in 2013 from 8-9 percent in previous years in order to maintain export competitiveness. The government reportedly maintains large reserves (over 43 percent of GDP) in the Central Bank, which gives it the capacity to control currency depreciation in the near future.

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_eng_amended.doc

Expropriation and Compensation

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

Profitable, high profile foreign businesses are at greater risk for expropriation, but smaller companies are also vulnerable. A number of companies have faced expropriation in the food processing, mining, retail, and telecommunications sectors. According to Uzbekistan State Statistics, authorities closed 15,700 businesses in 2013, or 73.7 percent of all businesses liquidated last year.

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

In September 2012, the Tashkent City Criminal Court seized the assets of cellular telecom provider Uzdunrobita, a 100 percent subsidiary of the Russian company MTS, for financial crimes. An appeals court reversed this decision in November 2012, but upheld the $600 million of fines imposed. MTS wrote off its total assets in Uzbekistan of $1.1 billion, and left the market. In 2013, the government transferred all MTS assets to a state-owned telecom operator after trying unsuccessfully twice to liquidate them.

In October 2011, the government halted the production and distribution operations of a brewery owned by the Danish firm Carlsberg for dubious reasons. The interruption of business lasted eighteen months before the company re-opened. Earlier in 2011, the government began liquidation of the Amantaytau Goldfields, a joint venture of the British company Oxus Gold and an Uzbek state mining company.

Dispute Settlement

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Dispute settlement methods are regulated by the *Economic Procedural Code*, the *Law on Arbitration Courts*, and the *Law on Contractual Basics of Activities of Commercial Enterprises*.
The *Law on Guarantees to Foreign Investors and Protection of their Rights* requires that involved parties settle foreign investment disputes using the methods they define themselves, generally in terms predefined in an investment agreement. Investors are entitled to use any international dispute settlement mechanism specified in their contracts and agreements with local partners, and these agreements should define the methods of settlement. Dispute settlement processes are also included in some bilateral treaties, but there is currently no treaty covering U.S. citizens.

If the parties fail to specify an international mechanism, Uzbekistan's economic courts can settle commercial disputes arising between local and foreign businesses. The economic courts break down to regional and city courts, with a Supreme Economic Court in Tashkent. Complainants may seek recognition and enforcement of foreign arbitral awards pursuant to the New York Convention through the economic courts.

Formally, the judicial system in Uzbekistan is independent, but government interference and corruption are common. Often government officials, attorneys, and judges interpret local legislation inconsistently and in conflict with each other.

The *Law on Bankruptcy* regulates bankruptcy procedures. Creditors can participate in liquidation or reorganization of the debtor only in the form of a creditor's committee. The World Bank has raised Uzbekistan's *Resolving Insolvency* rank to 63 for 2014 from 71 in 2013, reflecting an amendment to the bankruptcy law made in January 2013. According to this amendment, the bankrupt enterprise may claim exemption from paying property and land taxes, as well as fines and penalties for back taxes and other mandatory payments for the entire period of the liquidation proceedings. According to the *Law on Bankruptcy* and the *Labor Code*, re-solvency receivers should act with consideration of workers' rights. Monetary judgments are usually made in local currency. Bankruptcy itself is not criminalized, but in August 2013, the GOU introduced new legislation on false bankruptcy, non-disclosure of bankruptcy, and premeditated bankruptcy cases.

There have been a number of investment disputes involving foreign investors and contractors in Uzbekistan in recent years, mainly in the mining, textile, telecommunications, food processing and trade sectors. Most disputes involved nonpayment or delayed payment for goods or services by state entities. Disputes within joint ventures are also common, as local partners must balance their commitments against heavy government pressure and corruption. Some disputes are further complicated by tax authorities, who can seize assets or sequester funds from a company account before a court reviews the case. The general public has limited information about investment disputes, as official media either do not cover the disputes at all or present biased comments. Because of this, and due to limited access to the media, the reaction of nascent civil society business organizations on these disputes is minimal.

The *Law on Guarantees to Foreign Investors and Protection of their Rights* permits resolution of investment disputes in line with the rules and procedures of the international treaties of which Uzbekistan is a signatory. If international arbitration is permitted, awards can be challenged in domestic courts. Uzbekistan does not have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with an investment chapter with the United States.

Domestic arbitration bodies in Uzbekistan are represented by Arbitration Courts. According to the *Law on Arbitration Courts*, parties of a dispute can choose their own arbiter and they in turn chose a chair. The decisions of these courts are binding. The Law says that executive or legislative bodies, as well as other state agencies, are barred from creating arbitration courts and cannot be a party to arbitration proceedings. The verdict of the Arbitration Court can be appealed by either party to the dispute to the general court system within thirty days of the verdict. Separate arbitration courts are also available for civil cases, and their decisions can be appealed in the general court system.

When the court decides in favor of a foreign investor, the Ministry of Justice is responsible for enforcing the ruling. In some cases, its authority is limited and co-opted by more influential powers within the government. Judgments against state-owned enterprises are particularly difficult to enforce.

Uzbekistan is a member of the International Center for the Settlement of Investment Disputes (ICSID) and a signatory to the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention). In November 2006, the Constitutional Court of Uzbekistan issued its ruling that ICSID arbitration does not stipulate the consent of the involved parties to have their dispute settled at the international level. In practice, this means that the Uzbekistan courts do not recognize foreign business attempts to defend their interests in international courts unless all parties first give their consent in writing.

Claimants seek recognition and enforcement of foreign arbitral awards pursuant to the New York Convention through the economic courts, as are commercial litigation and enforcement of foreign arbitral awards. Formally, the courts should accept jurisdiction within ten days of the date the complainant filed the lawsuit or petition, and the court should render a decision within one month of accepting jurisdiction. Upon request of a judge, the chair of the economic court can extend the period for rendering a decision by one month. In cases of commercial litigation, the decision must enter into force within one month of rendering, while cases of enforcement of foreign arbitral awards must go into force immediately once the court renders the decision.

In commercial litigation, parties may file an appeal with the same court within one month from the date of rendering the judgment. After the appeal, an uncontended party may file for cassation to the Supreme Economic Court. Alternatively, the party can skip the appeal and request cassation within one month from the date of the judgment coming into force. The appeal and cassation proceedings each require one to two months.

An economic court shall suspend a proceeding if it is impossible to settle the case prior to settling another related constitutional, economic, civil, administrative or criminal case. This may happen, for example, if any document, which is essential for settling a dispute in an economic court, was forged, and there is an ongoing criminal case relating to its forgery. An economic court also may (but is not obliged to) suspend the case it requires the opinion of an expert or if one of the parties in the proceeding is in the process of corporate reorganization. Apart from these exceptions, the periods reflected above are statutory requirements.

In practice, the vast backlog of cases in certain city and regional economic courts, especially in Tashkent city and Tashkent region, may also result in delays in setting hearing dates. Once set, various procedural complications might further delay proceedings (e.g. experts, witnesses, or parties to the case may fail to appear in court;

parties may request additional time to prepare evidence), forcing the court to adjourn the hearing multiple times.

A party may file an international arbitration suit with an economic court in Uzbekistan, even after the parties have agreed to an international arbitration forum. Generally, this will not hinder potential or ongoing international arbitration proceedings because an economic court would delay the case, assuming the second party denies the jurisdiction of the economic court prior to the first party making its statement on the merits of the case.

Performance Requirements and Incentives

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Uzbekistan is not a member of the World Trade Organization (WTO) and has several practices that do not conform to WTO requirements on Trade-Related Investment Measures (TRIMS). Many of these practices reflect Uzbekistan's import substitution policy, including tax breaks for exporters, non-tariff barriers for imports, and poor records in protecting intellectual property rights. Uzbekistan's application for WTO membership was submitted in 1994, but its Working Party has not met since 2005. The GOU has made some positive statements suggesting a more active WTO accession effort, but also stressed that Uzbekistan does not want to accelerate accession to the WTO at the cost of its economic interests.

From 2012-2014, the GOU modified legislation to introduce incentives to attract foreign direct investment. To qualify as an enterprise or business with foreign investment, the share of foreign investment must be at least 30 percent of the charter capital of a company. The investment must consist of hard currency or new equipment, delivered within one year of registering the enterprise. Set floor level requirements for charter capital for certain incentives are:

- $400,000 for joint-stock companies (except financial institutions);
- $150,000 for ventures in other sectors of the economy, except those registered in the Karakalpakistan and in Khorezm provinces, where the requirement is $75,000

Other legislation provides a number of incentives for businesses qualified as enterprises with foreign investment. These include:

- Enterprises with foreign investments operating in specified industries and located outside of Tashkent city and Tashkent province are granted tax holidays for a period of three years if the FDI exceeds $300 thousand; five years if it exceeds $3 million; and seven years if it exceeds $10 million. The privilege applies to enterprises with foreign investments conducting businesses in twenty specific industries, which include the production of electronics, leather products, textiles, apparel, silk, various building materials, foodstuffs, chemical products, pharmaceuticals, packaging materials, renewable energy generators, coal, industrial and agricultural machinery, glass, microbiological products, and non-rubber toys. The GOU will only grant the tax holiday if the company reinvests at least 50 percent of the tax savings and the investor does not require a sovereign guarantee.

- The GOU grants new foreign investors ten-year immunity to changes in tax legislation if they invest at least $5 million.

- The government will build all required external utilities, engineering, and communication networks at its own expense for projects with investments exceeding $50 million and when the share of foreign investors exceeds 50 percent;

- Foreign investors are able to buy state-owned, low-liquidity facilities at zero redemption cost if they make specific investment commitments. In January 2014, this right was also granted to local private investors;

- Goods produced and imported by a foreign investor who invested more than $50 million are exempt from customs duties.

- Enterprises with foreign investments can receive exemptions from customs duties for: 1) industrial and technological assets imported by foreign investors and enterprises with foreign investments for their own use; 2) production parts, components and materials of own production imported by foreign legal entities with more than $50 million of direct investments; 3) goods, works, and services required for operations under a Production Sharing Agreement (PSA) imported by a foreign investor within the project documentation; 4) goods of foreign investors exported in accordance with the PSA; and 5) equipment and spare parts imported in line with contracts that have GOU approval and support. The exemptions are applicable only during the first two years after registration of the enterprise.

- Joint ventures with foreign participation in the oil and gas sector carrying out exploration works have a seven-year tax holiday from income tax from the extraction start date. In certain cases, the Cabinet of Ministers may provide foreign companies engaged in prospecting, exploration and production of oil and gas additional privileges and preferences and concessions based on direct negotiations between the competent authority and the strategic investor.

The corporate income tax rate is 8 percent for businesses, 15 percent for commercial banks, and 35 percent for entertainment firms. Companies may reduce their taxable income by the amount of funds directed at modernization of production facilities through the purchase of new equipment, new construction, or renovation of buildings and structures. The reduction amount cannot exceed 30 percent of the company’s total taxable income. If, in the current tax period, the amount of funds allocated for the above purpose exceeds 30 percent of total taxable income, the remaining amount may be deducted in subsequent tax periods within five years (from the date the cost was incurred, but from the day of commission for new equipment purchases).

Enterprises that export goods or services (except raw materials) benefit from a 50 percent reduction in income tax if the company's exports account for not less than 30 percent of the total sales of produced goods, and a 30 percent reduction in income tax if the company's exports account for 15-30 percent of the total sales of produced goods.

Newly established enterprises are exempt from property tax for two years from the moment of their registration. This incentive does not apply to enterprises created through liquidation or by reorganization of existing manufacturing enterprises or their separate divisions, nor does it apply to entities created under existing enterprises or to production facilities that rent their property and equipment.

Various types of new technological equipment are exempt from customs duties and value added taxation (VAT). The Inter-Ministerial Resolution of the Ministry of Economy, Ministry of Finance, Ministry of Foreign Economic Relations, Investment and Trade, and the State Customs Committee approve the list of such equipment. Production-related assets imported by a foreign investor or an enterprise with foreign share above 33 percent are exempt from customs duties. In the event of the sale or transfer of imported equipment for export within three years from the moment of its import, this GOU will rescind this privilege and the company must pay the VAT. Assets imported as a part of investment commitments under a privatization agreement with the GOU are exempt from VAT payments. Medicines and medical products that have no locally manufactured equivalents are also included on the exemptions list, as are raw materials and semi-finished goods used for children’s footwear production.

The Government welcomes participation of foreign investors in research and development programs, and has committed to create a national prioritization of innovation projects. The GOU does not regulate participation of foreign firms in government/authority-financed and/or subsidized research and development programs, nor will it privatize major state-owned R&D enterprises.

After the decline of FDI in 2011-2012, the GOU introduced new investment incentives in its attempt to restore confidence to foreign businesses, but concerns of government interference and bureaucratic obstacles continue to plague investors. In practice, the government has and often uses its right to cancel the registration of any business or to withdraw its license. Government inspections, often initiated by competing clans, frequently lead to punitive sanctions or closings. Foreign investors also limit or reduce their activities in the country due to challenges caused by fervent and non-transparent state involvement and corruption.

Uzbek legislation stipulates that the government must apply requirements to use domestic inputs in manufacturing uniformly to enterprises with domestic and foreign investments, but in practice, this is not always the case. The government welcomes foreign investors mainly in the areas of localization, building local production capacities, and developing export potential.

There are several restrictions on foreign workers in Uzbekistan. The chief accountants in banking and auditing companies must be Uzbek nationals. The law also requires that either the CEO or one member of the Board of Directors be citizens of Uzbekistan. In the tourism sector, only Uzbek nationals can be professional tour guides. All foreign citizens, except those from certain countries of the former Soviet Union, need visas to work in Uzbekistan and all individuals must register their residence with authorities. A new law permits foreign investors and specialists to obtain multi-entry visas for the period of their contract, but the procedure has yet to be developed. To apply for a visa, American citizens must submit documents regarding their company to an Uzbek Embassy or Consulate. Foreign workers must also register with the Ministry of Labor.

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

The legislation does not require transfer of technology or proprietary information; such transfers are negotiated between the foreign investor and its local partner. There are also no requirements for using only local sources of financing.

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

Tax incentives for foreign investment are essentially the same as for local enterprises participating in an investment program, localization, or modernization program. Enterprises with significant investment (more than $20 million) in priority sectors or registered outside Tashkent city or province can negotiate special benefits by concluding an investment agreement with the government, including additional tax and customs incentives, government guarantees and co-financing. These incentives generally require approval by the Cabinet of Ministers.

Right to Private Ownership and Establishment Return to top

Formally, Uzbekistan guarantees the right of foreign and domestic private entities to establish and own business enterprises and to engage in most forms of remunerative activity. The state reserves for itself the right to export gold, and the government maintains a monopoly on cotton exports. Natural gas, cotton and gold are Uzbekistan's largest sources of foreign exchange earnings. There are isolated cases of foreign companies that have entered the natural gas and cotton production sectors with some success. In theory, private enterprises may freely establish, acquire, and dispose of equity interests in private businesses, but in practice, this is difficult to do because Uzbekistan's securities markets are underdeveloped.

Protection of Property Rights

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The GOU passed its *Law on Protection of Private Property* in September 2012. Uzbek and foreign entities may own buildings, but not the underlying land. All land in Uzbekistan is owned by the state. Legislation governing the acquisition and disposition of property poses relatively few problems for foreign investors and is similar to laws in other CIS countries. Property ownership is generally respected by local and central authorities. District governments have departments responsible for managing commercial real estate issues ranging from valuations to sale and purchase. The World Bank ranked Uzbekistan 136th in the world in the Registering Property category of its 2014 Doing Business Report, up from 142 the previous year, reflecting the introduction of the simplified *one-window* registration procedure.

Heavy tax burdens, debilitating trade restrictions, and widespread corruption drive much legitimate commerce to the informal sector. Although there the GOU does not issue an official assessment, local experts estimate that the informal economy makes up as much as 31-35 percent of GDP. Local authorities can confiscate any business and personal private property, and private companies are subject to hostile takeover actions by well-connected businesses or individuals, and in most cases, owners should not expect remuneration at market value.

Uzbekistan has been on the Watch List of the U.S. Trade Representative's (USTR) Special 301 Report since 2000 due to a lack of significant progress on intellectual property rights (IPR). The USTR noted that current enforcement remains weak and criminal penalties for IPR violations are insufficient to provide a deterrent effect.

Uzbekistan has made an effort to improve IPR protection by setting up the Uzbek Agency for Intellectual Property, which unifies responsibility for IPR issues. Uzbekistan also introduced several amendments to IPR law, as well as amendments to Civil and Criminal Codes to enforce stricter punishment for IPR violations. Uzbekistan is a consumer, but not a significant producer, of pirated material. Uzbekistan does not host a Notorious Market.

There are set rules and procedures for registration of each type of intellectual property. The process may take ten days for registering trademarks and copyrights, and up to sixty days for registering patents. The official body that oversees registration is the Intellectual Property Agency of Uzbekistan (IPAU), or its authorized divisions. The agency coordinates its IPR protection efforts with local law enforcement agencies, customs, and tax authorities.

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

The concept of registering IP is still new to Uzbekistan. The GOU created the IPAU in 2011 after combining former copyright and patent agencies, at which time local IP holders became more active in protecting their rights. Last year IPAU reviewed 5,557 IPR protection cases. The agency also has an experience in enforcing the protection of foreign trademarks. In 2012, American Burger King Corporation filed a case a trademark infringement by a local restaurant, and the Economic Court of Uzbekistan ruled in favor of the complainant.

In general, businesses report that IP registration is not an issue, unlike its enforcement, which is often a difficult and long process. The main challenge is that the IP holder must file its claim through the local court system, and local legislation does not anticipate enforcement of IP rights for non-resident claimants.

Resources for Rights Holders:

Contact at the U.S. Embassy in Tashkent:

John Etcheverry
Economic Officer
Telephone Number: +998-71-140-2111
Email address: etcheverryjc@state.gov

Country resources: Local American Chamber of Commerce (AmCham) lawyers: http://amcham.uz/membership/membership-by-sector/law/

Transparency of Regulatory System Return to top

The legislation regulating private investments is complicated, ambiguous and contradictory. Foreign investors report that local officials inconsistently interpret laws, often in a manner that is detrimental to private investors and the business community at large. In addition, the government occasionally issues secret decrees or instructions that businesses are required to comply with, despite having no knowledge of them. Companies are particularly concerned with the lack of consistent and fair application of the *Law on Foreign Investment*, which outlines specific protections for foreign investors. To avoid problems with the tax and regulatory measures, foreign investors often secure incentives through Cabinet of Ministers decrees, which are approved directly by the President. These, however, are easily revocable.

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

There are nearly no legal restrictions on foreign participation in industry standards-setting consortia or organizations, with exceptions in the media and tourism industries. Bureaucratic procedures, particularly licensing and financial reporting, are time-consuming and often contradictory and government-owned banks, ministries, and agencies routinely interfere in business operations.

Publishing drafts of laws and regulations for public comment is uncommon in Uzbekistan. Regulatory bodies often introduce changes and amendments to commercial legislation without notice, which creates disputes and misunderstandings even among state institutions. The government often amends requirements for licensing, registration and other permits without notice, creating opportunities for rent seeking as this creates more opportunities for government functionaries to reject documents on various technical grounds. From 2011-2013, however, foreign and local investors had the opportunity to review and comment on some upcoming legislation, but these instances are rare.

Efficient Capital Markets and Portfolio Investment Return to top

In general, the GOU has not made a priority of attracting portfolio investments, as it prefers what it calls strategic investors, which are capable of providing new technologies for specific local industries. A number of international fund management companies have worked in the country in the past, investing in various industries through the stock markets or in the real estate and construction sectors. Most of these funds left the market by 2010 due to capital losses brought about by the previous global financial crisis. The few portfolio managers remaining invest primarily in the insurance and leasing sectors. The stock exchange mainly hosts equity and secondary market transactions with shares of state-owned enterprises. In most cases, government agencies decide who can buy and sell shares and at what prices, and it is often impossible to locate accurate financial reports for traded companies.

Uzbekistan has relatively good liquidity indicators. Its gross official foreign reserves in 2013 were $19.3 billion, or 36 percent of GDP. The gross external debt to GDP was 13 percent. The government declared full commitment to honoring its obligations under IMF Article VIII, but in practice, difficulties with currency conversion are a major deterring factor for investors.

Foreigners and foreign investors can establish bank accounts in local banks without restrictions. They also have access to local credit, although the terms and interest rates do not represent a competitive or realistic source of financing. In general, the private sector has access to a restricted variety of credit instruments and the isolated and overregulated financial system yields unreliable credit terms. The government-led banking sector, burdened with non-core functions and excessive bureaucracy, cannot meet the lending demands of its clients. Access to foreign banks is limited and is usually only granted through their joint ventures with local banks. Commercial banks can, to a limited degree, use credit lines from international financial institutions to finance small and medium businesses.

The average capital adequacy ratio of local banks exceeds 24.3 percent, and the current liquidity rate is 65 percent. From 2009 through 2011, the government initiated a 40 percent increase in state-owned bank capitalization and encouraged private banks to do the same. In 2013, the banking sector's capitalization grew by 25 percent and bank assets grew by 30 percent to about $21 billion. Included in this amount are the assets of the two largest state-owned banks, which are more than $10 billion. Stringent government control and the overregulated financial sector make sizeable deposits and withdrawals difficult.

A major operational challenge for foreign firms in Uzbekistan is restricted access to cash. All inter-firm transactions must be conducted by bank transfer and cash withdrawals by legal entities are only permitted for payment of wages and travel expenses. All cash receipts must be deposited the day they are received. The government improved this situation somewhat several years ago by allowing individual entrepreneurs, some small enterprises, and joint ventures with foreign capital to withdraw cash from their bank accounts up to the amount deposited within the previous ninety days. However, the government later issued several new decrees instructing local administrations, commercial banks, and tax authorities to tighten their control of cash circulation. Firms that fail to deposit their cash receipts in banks face stiff penalties, but the pervasive restrictions on cash withdrawals have forced many small enterprises to operate illegally. The fact that the largest denomination bill is 5000 soums soum (about $2.20 at the official exchange rate) aggravates the situation and has turned cash transactions of any significant value into major logistical undertakings.

There are very few private companies listed in the local and international stock markets, and a threat of hostile takeover by foreign investors has never been a major subject of concern.

Competition from State Owned Enterprises Return to top

State-owned enterprises (SOEs) dominate those sectors of the economy recognized by the government as being of national strategic interest. These sectors include energy (power generation and transmission; oil and gas refining, transportation and distribution), metallurgy, mining (non-ferrous metals and uranium), telecommunications (fixed telephony and data transmission), agriculture (cotton processing), machinery (automotive industry, locomotive and aircraft production and repair), and transportation (airlines, railways, municipal public transportation). The *Law on Privatization and Denationalization*, with a number of subordinate acts, contains a list of sectors/industries where the GOU has banned participation of private businesses.

The published list of major Uzbek SOEs is available on the official GOU Website:

- For companies: http://gov.uz/en/other_institutions/companies;
- For large holdings: http://gov.uz/en/other_institutions/associations_concerns; and
- For banks: http://gov.uz/en/other_institutions/banks.

Local SOEs, including joint ventures with large foreign investors, have larger budgets to fund research and development (R&D) activities, but their potential is limited because the government restricts private enterprise activity in these important sectors. For example, in 2004 the government granted exclusive control of the country's international telecommunication networks to the state-owned Uztelecom Company. This forces all providers of voice and data transmission services, including internet and IP-telephony, to use only Uztelecom switches to access long-distance and international channels. Going beyond technical restrictions, the providers must also conduct their financial transactions with international partners through Uztelecom, as well.

The government controls procurement activities of companies in which it has partial or minority interest, even in the case of private businesses. These companies are required to procure goods (with a value over $100,000) and services through an open tender process, which the government regulates.

By law, SOEs are obligated to operate under the same tax and regulatory environment as private businesses. In practice, however, private enterprises do not enjoy the same terms and conditions. The government leverages registrations, licensing, and currency conversion to protect quasi-governmental institutions and companies from commercial competition. Private businesses face more than the usual amount of bureaucratic hurdles if they compete with the government or a government-controlled firm. Most SOEs have a range of advantages, including better access to local and external markets, smoother access to financing, and more predictable currency conversion. Additionally, SOEs are usually not subject to legislative budget constraints unless they are in low-priority industries.

The GOU registers most SOEs as national holding companies or joint-stock companies, and usually a minority share in these companies belongs to employees or private enterprises. Although SOEs have boards of directors, typically one or more members will be a government official, and senior executives report directly to relevant ministries or the Cabinet of Ministers. Generally, SOEs must consult with the government before making significant business decisions.

At present, Uzbekistan does not adhere to the OECD Guidelines.
Local SOEs and the Fund for Reconstruction and Development of Uzbekistan do not often publish annual reports. In 2010, legislators drafted the *Law on Openness of State*

Bodies, but the draft is still under consideration. State-owned businesses and financial institutions are required to submit annual reports to the government, but they are not required to publish them. Local state-owned enterprises in the financial sector are required to submit their financial records for independent audit, as well. SOEs, as well as other Uzbek entities, are subject to domestic accounting standards and rules, which are still not fully comparable with International Financial Reporting Standards (IFRS), though through gradual effort, Uzbekistan has brought about 90 percent of its domestic standards into IFRS compliance.

The GOU created some of its largest SOEs by simply renaming existing government entities and, in some cases, those enterprises still exercises governmental powers. For example, Uzbekneftegaz National Holding Company dominates the oil and gas industry and foreign investors need its approval to do business in the sector, although there is no legislative mandate of this power. Similar situations exist in the situation in the transportation, energy, and automotive industries.

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

Some large state-owned holdings engaged in commercial activities act as government institutions. Nearly all U.S. businesses operating in Uzbekistan do so in partnership with a state-owned enterprises or firms, which are often affiliated with the political elite. The likelihood that domestic courts will rule in favor of SOEs is high (see Section 4). The State Committee of Uzbekistan for Privatization, Demonopolization and Development of Competition is responsible for management of state-owned assets, and the Fund for Reconstruction and Development (FRD) of Uzbekistan serves as a sovereign wealth fund.

The GOU established the Uzbekistan Fund for Reconstruction and Development (FRD) in 2006, using it to sterilize and accumulate of foreign exchange revenues, but officially the goal of the FRD was to provide government-guaranteed loans and equity investments to strategic sectors of the domestic economy. Uzbekistan's Cabinet of Ministers, Ministry of Finance, and the five largest state-owned banks were instrumental in establishing the FRD, and all of those institutions have membership on its Board of Directors. FRD loans require government approval and the FRD provides debt financing to SOEs for modernization and technical upgrade projects in sectors that are strategically important for the Uzbek economy.

Corporate Social Responsibility Return to top

There is no legislation on Corporate Social Responsibility (CSR) in Uzbekistan, and the concept has not been widely adopted, though many companies are active in charity activities, either through their own initiative or at the direction of local government officials. Relevant government agencies and departments inspect both newly registering and operating local businesses and enterprises for enforcement of the *Labor Code* in respect to labor and employment rights; the *Law on Protection of Consumer's Rights* for consumer protections; and the *Law on Protection of the Nature* for environmental protections. Labor or environmental laws and regulations are not waived for enterprises with private and foreign investments.

Legislation, including the *Law on Joint-Stock Companies and Protection of Shareholder's Rights*, issued in 1996 and last updated in 2014, set a range of standards to protect the interests of shareholders. The *Law on the Securities Market* requires businesses that issue securities (except government securities) to publish annual reports, which should include a summary of business activities for the previous year, financial statements with a copy of an independent audit, and material facts on the activities of the issuer during the corresponding period.

Political Violence

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

In light of domestic and international threats, the government has implemented heightened security measures, such as establishing security checkpoints, restricting access to certain streets and buildings, and deporting nationals of suspect countries. Continued instability in southern Kyrgyzstan following the 2010 political and ethnic violence have raised tensions and led to substantially increased controls at the Uzbek-Kyrgyz border. In addition, border crossing points with both Kyrgyzstan and Tajikistan, both borders of security concern for the GOU, are often closed for periods of time. Although the border between Uzbekistan and Afghanistan is officially open to traffic, travel restrictions for the region remain in place.

Corruption

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Uzbekistan's legislation and Criminal Code prohibit corruption. Enforcement is arbitrary, however, and there is considerable anecdotal evidence that a large portion of officials use their latitude in interpreting regulations to extract bribes. The government prosecutes a number of officials under anti-corruption laws every year and punishment can vary from a fine to imprisonment with confiscation of property. Often, prosecutions tend to focus on political dissenters rather than on corrupt but loyal government officials or individuals affiliated with the elite. Foreign and local individuals have reported numerous incidents of bribe solicitation to U.S. Embassy officers, and foreign investors who refuse to pay bribes have had difficulty in their business operations as a direct result. Uzbekistan ranked 168th out of 177 rated countries in Transparency International's 2013 Corruption Perceptions Index.

There has been no substantial evidence to suggest that the government encourages or requires companies to establish internal codes of conduct that prohibit bribery of public officials. Only a few local companies created by or with foreign investors have effective internal ethics programs.

Uzbekistan joined the UN Anticorruption Convention in 2008, but is not a signatory of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and does not participate in any notable local or regional anti-corruption initiatives.

U.S. businesses have cited corruption as one of the main obstacles to foreign direct investment in Uzbekistan. Lack of transparency in bureaucratic processes, including procurement tenders and auctions, and limited access to currency convertibility, stimulate rent seeking, which public sector employees often justify by pointing out their low wages. Bribery is a common tool for obtaining lucrative positions, government contracts, preferences, and exemptions from regulations, as well as escaping criminal prosecution. Citizens are routinely required to pay bribes to receive public services.

Resources to report corruption:

The main arm of the government tasked with fighting corruption is the General Prosecutor's Office. Currently, no international or local nongovernmental *watchdog* organizations have permission to monitor corruption in Uzbekistan.

Contact information for the General Prosecutor's Office of Uzbekistan:

- Address: 66, Akademik Gulyamov St., 100047, Tashkent, Uzbekistan
- Website: www.genprok.gov.uz

Hotline telephone numbers: +998(71) 232-4391, 232-4550

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: http://www.ustr.gov/trade-agreements/free-trade-agreements.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. General information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

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Uzbekistan has signed bilateral investment agreements with forty-nine countries. Several agreements, including those with Iran, Japan, and the United States, have not yet entered into force. In 2004, Uzbekistan and Russia signed a Strategic Framework Agreement that also includes free trade and investment concessions. Uzbekistan has signed bilateral free trade agreements with eleven CIS countries (Russia, Belarus, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan and Tajikistan). In 2005, the government signed an alliance agreement with Russia, which provides for economic cooperation, and Uzbekistan and Ukraine agreed in 2004 to remove all bilateral trade barriers. Uzbekistan joined the CIS Free Trade Zone Agreement in 2013, but its parliament has not yet ratified membership.

The governments of the United States and Uzbekistan signed a bilateral investment protection treaty in 1994, though the United States never ratified the agreement. In 2004, Uzbekistan signed the regional Trade Investment Framework Agreement (TIFA) with the U.S. Trade Representative's Office and its four Central Asian neighbors. The TIFA is a forum to encourage regional trade development in Central Asia. As a former Soviet Republic, the Income Tax Treaty of 1973 between the United States and the USSR covers Uzbekistan.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) began working in Uzbekistan in 1992 and has loaned approximately $229 million over the course of its operations in Uzbekistan, but had no projects in FY2013. Uzbekistan is a developing country member of the Multilateral Investment Guarantee Agency.

The Embassy can purchase local currency at the exchange rate set by the local bank. Local currency is depreciating by approximately 10 percent per year. Depreciation of the local currency could accelerate in the future if the government chooses to narrow the spread between the official exchange rate, which is administratively set, and the black-market rate. The spread between the official and the black-market rates is about 25 percent.

Labor

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Uzbekistan has the largest labor force in the region—about seventeen million, or 57 percent of the total population. At 97 percent, literacy is nearly universal, but most local technical and managerial training does not meet international business standards. Foreign firms report that younger Uzbeks are more flexible in adapting to changing international business practices, but are also less educated than their Soviet-trained elders were. Widespread corruption in the education sector has lowered educational standards as students purchase grades and even entrance to prestigious universities and lyceums.

With the closure or downsizing of many businesses, it is easy to find qualified employees, and salaries are low by western standards. According government and alternative sources, 17 percent of the population live below the poverty level, 4.9 percent are unemployed, and approximately 60 percent of the employed population have low-productivity and low-income jobs. In the last twelve years, there has also been a dramatic increase in the number of workers migrating to other countries, notably Russia, Korea, and Kazakhstan, leaving less-qualified workers at home to fill the gaps.

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

Uzbekistan's Labor Code regulates labor-management relations. The law established a standard workweek of forty hours, with a mandatory rest period of twenty-four hours. The law provides overtime compensation as specified in employment contracts or agreed to with an employee's trade union and can be implemented in the form of additional pay or leave. The law states that overtime compensation should not be less than 200 percent of the employee's average monthly salary rate. Additional leave time should not be less than the length of actual overtime work. An employee may not work more than 120 hours of overtime per year, but public sector employers rarely observe this limitation. The law prohibits compulsory overtime. In practice, overtime limitations are not widely observed and compensation is rarely paid.

The Ministry of Labor and Social Protection establishes and enforces occupational health and safety standards in consultation with unions, but anecdotal reports suggest that enforcement is not effective. Although regulations provide for safeguards, workers in hazardous jobs often lack protective clothing and equipment. Labor inspectors conduct routine inspections of small and medium-sized businesses once every four years, and inspect larger enterprises once every three years. The ministry or a local governor's office can initiate a selective inspection of a business, typically in response to an accident or complaint.

The law, including related regulations and statutory instruments, generally provides the right of workers to form and join independent unions and bargain collectively. The law prohibits anti-union discrimination. Volunteers in public works and workers employed by individuals without documented contracts do not have legal protection. Workers generally do not exercise their right to form and join unions due to fear of retribution. Unions remained centralized and dependent on the government. The state-run Board of the Trade Union Federation of Uzbekistan incorporates more than 35,800 primary organizations and fourteen regional trade unions, with official reports of 60 percent of employees in the country participating. The Office of the President appoints the leaders of the federation; union boards are not involved in electing these leaders to their positions. All regional and industrial trade unions at the local level are state managed. There are no independent unions.

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

Uzbekistan ratified thirteen conventions of the United Nations' International Labor Organization (ILO), (Forty-Hour Week Convention, Holidays with Pay Convention, Right to Organize and Collective Bargaining Convention, Equal Remuneration Convention, Maternity Protection Convention (Revised), Abolition of Forced Labour Convention, Discrimination (Employment and Occupation) Convention, Employment Policy Convention, Workers' Representatives Convention, Minimum Age Convention, Collective Bargaining Convention, and Worst Forms of Child Labour Convention, but employers often ignore the provisions of these conventions.

The law prohibits all forms of forced or compulsory labor, including by children, except as legal punishment for such offenses as robbery, fraud, or tax evasion or as specified by law. The government does not effectively enforce these laws and there are high-profile cases in the cotton industry where this has gained international attention.

The Labor Code regulates general labor-management relations and the GOU passed no substantive changes to labor-related legislation in the last year. Officially, private or foreign-owned enterprises cannot waive labor or environmental laws and regulations.

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The law on free economic zones, passed in 1996, envisaged the establishment of free trade zones, including consigned warehouses, customs-free zones, and zones for the processing, packing, sorting, and storage of goods.

In 2008, the President of Uzbekistan issued a decree creating a free industrial and economic zone (FIEZ) in the Navoi region. The FIEZ was established for a period of thirty years, beginning in 2009, with possible extensions. Businesses in the territory of the FIEZ are promised a special customs, currency, and tax regime, a simplified procedure for entering, staying, and leaving, and provisions by which non-residents can receive labor licenses. Preferences are effective for the entire period of activity of FIEZ, or to 2038, with possibility of extension. Businesses registered within the Navoi FIEZ are exempt from most taxes for seven years if their direct investments exceeds €3 million; ten years if it exceeds €10 million; and fifteen years if investments exceed €30 million. For five years after the expiration of the tax holiday, businesses with direct investments exceeding €10 million enjoy an income tax and unified tax payment reduction of 50 percent, which extends to ten years for large investments (over €30 million). Business entities registered in Navoi FIEZ are also entitled with the following types of exemptions: (excluding charges for customs clearance):

- Exemptions from custom payments for the entire period of activity of the FIEZ for imports of equipment, raw materials, and components used for the manufacture of export-oriented goods (excluding charges for customs clearance); and

- Fifty percent reduction of custom payments (excluding charges for customs clearance) for imported raw materials and components, used for the production of the domestic market oriented goods

In April 2012, the President issued a decree on creating a special industrial zone (SIZ) in Angren City in Tashkent province. Businesses in the SIZ are exempt from custom payments (excluding charges for customs clearance) and enjoy holidays for the following taxes and mandatory contributions:

- Corporate income tax
- Property tax
- Social infrastructure development tax
- Unified tax payment
- Road tax; and
- Mandatory contributions to the Republican Road Fund

These exemptions and tax holidays will be granted for the period of three years if the volume of direct investments exceeds $300 thousand; five years if it exceeds $3 million; and seven years if it exceeds $10 million. Exemptions from customs payments are granted for imported components and materials that are not produced in the country. Preferences are effective for the entire period of activity of SIZ (30 years from the date of establishment with possibility of extension). The government has committed to direct $59.4 million for infrastructure development in the SIZ.

In March 2013, the President issued a decree on creating another special industrial zone “Jizzakh” in Jizzakh region with a branch in Syrdarya region. SIZ “Jizzakh” provides the same tax and customs preferences as SIZ “Angren”. As in SIZ “Angren” preferences will be effective for the entire period of activity of SIZ, or for 30 years form date of its establishment with possibility of extension.

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TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Uzbekistan Statistical source*		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2013 2012	53,600 51,700	2013 2012	N/a 51,165	http://www.worldbank.org/en/country http://www.imf.org/external/pubs/ft/scr/2013/cr13278.pdf
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	N/a	2012	71	(BEA)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	N/a	2012	0	(BEA)

Total inbound stock of FDI as % host GDP (***calculate)***	2012	N/a	2012	1.7nsert	http://www.imf.org/external/pubs/ft/scr/2013/cr13278.pdf

*The State Statistics Committee of Uzbekistan.

TABLE 3: Sources and Destination of FDI

No data available.

19. Contact at Post to learn more:

- John Etcheverry
- Economic Officer
- 3, Maykurgan St., Yunusabad District, 100093, Tashkent, Uzbekistan
- +998-71-120-5450
- EMAIL ADDRESS: BusinessInUzbekistan@state.gov

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www.gov.uz
www.mfer.uz
www.chamber.uz
www.lex.uz
www.uzdaily.com
www.gazeta.uz
www.kommersant.uz
www.uzreport.com

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Chapter 7: Trade and Project Financing

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The most common methods of payment in Uzbekistan are Telegraph Transfer (TT) and Letters of Credit (LoC). According to Uzbek legislation, local importers cannot pay more than a 15 percent down payment without permission from the Ministry of Foreign Economic Relations, Investment and Trade (MFERIT). The full contract amount is payable only after delivery of the imported goods or services. For the last few years, instant money wire transferring services have developed and more than ten money transfer systems now operate in Uzbekistan.

How Does the Banking System Operate Return to top

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 these institutions direct or channel funds to develop certain industry sectors. The banking sector includes government-controlled banks (National Bank of Uzbekistan (NBU), Uzpromstroybank, Asaka Bank, Uzjilsberbank, AgroBank, and others); banks with foreign investments (KDB Bank, Uzbekistan-Turkish Bank, Soderat Bank); and medium and small private banks.

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

Foreign-Exchange Controls Return to top

The national currency of Uzbekistan is the soum. There are two legal exchange rates for the soum: the commercial (wire-transfer) rate, and the exchange booth rate. Although the government committed itself, in theory, to the provisions of the IMF's Article VIII regarding currency convertibility for current operations, in practice multiple restrictions remain in place. All legal entities, including those with foreign investments, must receive special permission from the Central Bank to access foreign currency. Officially, it is a routine procedure, but in reality, an applicant must go through many layers of bureaucracy, which entails extensive bureaucracy and time. Presently, businesses and investors report that delays of more than a year are standard. Theoretically, delays for importers of equipment and raw materials used by manufacturers are shorter, but nearly every business in Uzbekistan suffers from irregular and insufficient conversion access.

Currency conversion restrictions create a barrier to certain foreign, service-sector firms that seek to enter the Uzbek market. For example, insurance companies must collect their premiums in soum and may not pay reinsurance premiums in hard currency on the world market. Likewise, the companies must pay claims only in soums. Companies can overcome these provisions only by a presidential decree granting them the right to conduct business in dollars. To date, only one state-owned insurance company, Uzbekinvest, has this permission.

U.S. Banks and Local Correspondent Banks

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The National Bank of Uzbekistan (NBU) and Asaka Bank are the main financial gates 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 the Bank of New York, Bank of America, American Express Bank, JP Morgan Chase, RBS Chicago, and other U.S. banks.

Project Financing

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There are several sources for funding procurement projects in Uzbekistan. They include government agencies, international financial institutions, publicly- and privately-financed investment funds, venture capital funds, and grant programs. The government finances procurement of equipment and services through the national budget, with financing through international financial institutions, or through assistance from various export-import banks. Uzbekistan is a member of the European Bank for Reconstruction and Development (though the country has minimized its involvement with the organization) the World Bank, the Islamic Development Bank, and the Asian Development Bank. Financing from private international banks is growing, but is 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 large-scale projects in the country.

Web Resources

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http://www.exim.gov Export-Import Bank of the United States

http://www.exim.gov/tools/country/country_limits.html Country Limitation Schedule
http://www.opic.gov Overseas Private Investment Corporation
http://www.tda.gov/ Trade and Development Agency
http://www.sba.gov/oit/ Office of International Trade (Small Business Administration)
http://www.fsa.usda.gov/ccc/default.htm USDA Commodity Credit Corporation
http://www.usaid.gov U.S. Agency for International Development
www.adb.org Asian Development Bank
www.worldbank.org World Bank
www.usembassy.uz
www.export.gov
www.amcham.uz
www.chamber.uz
www.gov.uz

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Chapter 8: Business Travel

Business Customs

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

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

Uzbeks take pleasure in giving and receiving gifts. It is not necessary to wrap inexpensive gifts, while gifts that are more expensive should be wrapped. When meeting with senior government officials, avoid giving items such as pencils, pens, lighters (unless they are of higher value), poor quality wine or vodka, notebooks, or other items of this nature. Uzbeks consider it in bad form to give a pregnant woman a baby gift, though it is acceptable to offer something once the baby is born. When giving flowers, it is important not to offer them in even numbers.

Travel Advisory

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For travel information specific to Uzbekistan, check the following link:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1057.html

Visa Requirements

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A valid passport and visa are required for entry into Uzbekistan. Although invitations from a sponsoring organization or individual are not officially required for American citizens applying for short-term visas, the practice of the Government of Uzbekistan is to request invitation letters. Uzbekistan's embassies and consulates issue visas. Visitors coming from countries where Uzbekistan does not have diplomatic or consular representation should obtain visas in a third country. Visas are not available upon arrival at Uzbek airports. The Embassy has received a number of reports from American citizens who have had problems obtaining Uzbek visas or who received Uzbek visas valid for a very limited period. Americans seeking visas should apply for their visas well in advance of their travel.

It is important to note that Uzbek visas indicate not only the validity of the visa, but also the period a person is allowed to stay in Uzbekistan on a given trip. Although Uzbekistan has issued tourist and business visas with multiple entries to private American citizens for years, since 2005 the country has restricted most visas to less than three months in duration, and often with only single-entry validity.

All travelers, even those simply transiting Uzbekistan for less than 72 hours, must obtain an Uzbek visa prior to traveling. Uzbekistan has suspended the 72-hour transit rule that allowed travelers with visas from other members of the Commonwealth of Independent States to transit Uzbekistan without an Uzbek visa.

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

Telecommunications

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The public telephone networks of Uzbekistan have approximately 2 million subscribers to fixed services and more than 19 million to cellular mobile services. UzbekTeleCom, the national carrier, and Unitell-Buzton, the digital network operator, provide fixed telephone services. There are now nearly 2,100 exchanges in Uzbekistan, of which more than 90 percent are digital, with a total capacity of over 2 million phone numbers. Inter-exchange communications can provide data transfer speeds up to 199/622 Mbps. Four operators provide cellular mobile services. They operate in the AMPS-DAMPS version IS-136, GSM 900, GSM 1800 and CDMA standards.

The number of Internet service operators and providers in Uzbekistan as of 2013 totaled more than 930, and the number of users reached 8.1 million, most of whom are located in the Tashkent and Ferghana Valley regions. The number of Internet users via mobile phone has reached 4.1 million. The UZNET branch of UzbekTeleCom owns the national data transfer network.

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

The National Railway Company of Uzbekistan, Uzbekiston Temir Yollari (UTY), is the monopoly provider of passenger rail services. UTY operates over 4,300 km of railroads connecting most parts of the country with Tashkent and other CIS destinations. Comfort and service levels vary depending on the destination. In 2012, Uzbek Railways launched a new fast train between Tashkent and Samarkand.

Road travel is tedious in Uzbekistan due to pot-holed roads and seasonal impediments. Most roads are paved, but many need repair and resurfacing. Tour companies are gradually replacing aged Soviet-era buses with used European models, and most cities have a network of public transportation including buses, trams and trolleybuses. Tashkent has Central Asia's most-developed subway system.

Language
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The official language of Uzbekistan is Uzbek, but Russian is common among businesspeople and within academia. English language interpreters are widely available and vary in skill and experience.

Health
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Food and waterborne diseases such as Salmonella, Hepatitis A & B, Typhoid and Meningitis are known in Uzbekistan. Travelers should drink only bottled water and eat only fruits and vegetables that have been cooked and peeled. Avoid undercooked meat, as well. Due to poor sanitation and power shortages resulting in inadequate refrigeration, travelers should avoid eating uncooked dairy products and foods 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 (http://wwwnc.cdc.gov/travel/) before traveling.

Local Time, Business Hours, and Holidays
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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 savings time (March-November), Uzbekistan is +9 hours Eastern Standard Time. The remainder of the year

Uzbekistan is +10 hours EST. Business hours are generally from 9:00 a.m. to 6:00 p.m., Monday through Friday. In the provinces, the workday finishes earlier.

2014 Uzbek Holidays:

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

Temporary Entry of Materials and Personal Belongings Return to top

Travelers to Uzbekistan must declare materials and personal belongings of high value, including large quantities of cash. Uzbekistan's customs authorities may enforce strict regulations concerning temporary import or export of items such as armaments and ammunition, space technology, encryption devices, X-ray and isotope equipment, nuclear materials, poisons, drugs, precious and semi-precious metals, nullified securities, and pieces of art and antiques of historical value. Travelers should contact the Embassy of Uzbekistan in Washington, DC or the Consulate of Uzbekistan in New York for specific information regarding customs requirements for materials and personal belongings.

Web Resources Return to top

- www.usembassy.uz
- www.gov.uz
- www.uzairways.com

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Chapter 9: Contacts, Market Research and Trade Events

Contacts

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- www.usembassy.uz
- www.trade.gov
- www.uz
- www.gov.uz/en/
- www.export.gov
- www.amcham.uz
- www.mfer.uz
- www.chamber.uz
- www.lex.uz

Market Research

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To view market research reports produced by the U.S. Commercial Service, visit the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and it is free.

Trade Events

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Click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

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