Uzbekistan Trade Brief

Trade Policy

Beginning in 1991, Uzbekistan adopted a gradual approach to the transition from communism, relying heavily on the use of state controls, trade and foreign exchange restrictions, and large public investments. The trade regime remains relatively restrictive, with several administrative measures aimed at suppressing domestic and external trade still in place. Exports have grown in the period from 2002 to 2008, but the government continues to curb imports through high tariff protection and non-tariff measures. The country has import-exclusive excises, which significantly raise the rate of protection. The MFN tariff schedule applied to 38 countries has four bands, with tariffs escalating with the level of processing. The schedule is designed to encourage imports of capital goods and production inputs and discourage import of consumer goods and other goods competing with domestic production. Today, based on its 15.5 percent simple average of the MFN applied tariff, Uzbekistan has the most restrictive trade regime in the Europe and Central Asia (ECA) region and it is also more restrictive than that of an average low-income country (12.7 percent). Based on the MFN applied tariff, it ranks 156th out of 181 countries (where 1st is least restrictive). Uzbekistan is more protective of its agricultural goods (19.5 percent tariff) than of its non-agricultural ones (14.9 percent tariff). Moreover, the country’s 1.2 percent share of tariff lines with zero MFN tariff, is among the lowest in the region, while the 34.7 percent share of tariff lines with duties higher than 15 percent (international peaks) is the highest in the region. Also, Uzbekistan’s maximum MFN applied tariff, excluding alcohol and tobacco, of 275.8 percent is higher than the regional average of 159.7 percent.

The level of protection is also increased by the fact that Uzbekistan applies excise taxes exclusively on imports or at rates higher than on domestic products. These taxes are mostly levied ad valorem of the value of goods and have three bands: 5, 10, and 30 percent, but, some are also levied as specific tariffs or a combination of ad valorem and specific tariffs. While the world experienced soaring food prices, Uzbekistan, in an attempt to stabilize domestic grain prices, had in place an export ban on grains, rice, and flour as of June 2008. Also, in late 2008, the government implemented a stimulus plan to counteract possible effects of the global economic crisis. The plan includes several trade-related measures such as investments in developing the country’s export potential and credit support to exporters. In September 2009 the government increased import duties on new and used motor cars have been formally reduced from 30 percent to 20 percent, but at the same time these were combined with new specific tariffs ranging from 1.8 to 3.0 dollars per cubic centimeter, effectively shielding domestic car manufacturer from competition from imports. Restricted access to foreign exchange in Uzbekistan further limits imports.

External Environment

The simple average of the overall rest of the world tariff (including preferences) faced by the country’s exports is 9.8 percent. When its trade flows are taken into consideration, it is apparent that Uzbek exports have unfavorable access to international markets, especially in comparison to its comparators. Uzbekistan’s weighted average rest of the world tariff (including preferences) is 6.1 percent, higher than the regional and income group averages of 2.1 and 3.9 percent, respectively. The barriers are particularly high for its agricultural products (15.2 percent) compared to its non-agricultural products face (0.9 percent).

An observer at the World Trade Organization, Uzbekistan signed a trade and investment framework

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

agreement with the United States and four Central Asian countries on June 1, 2008. Also, at the end of 2008, Uzbekistan suspended its membership in Eurasec, an international economic organization comprised of Belarus, Kazakhstan, the Kyrgyz Republic, the Russian Federation, and Tajikistan.

**Behind the Border Constraints**

In terms of the conduciveness of its institutional environment to business, Uzbekistan ranked 150th out of 183 countries in the 2010 Ease of Doing Business index, reflecting a cumbersome business environment. The country’s Logistics Performance Index score, which reflects the extent of trade facilitation, is below the regional and income group average, suggesting that Uzbekistan has a less conducive climate for trade. It scores 2.16 on a scale of 1 to 5, with 5 being the highest score, while the regional and income group averages are 2.59 and 2.29, respectively. Uzbekistan ranked 129th out of 150 ranked countries and 21st in the ECA region (with Turkey leading the regional group). Its strongest logistics indicator is domestic logistics costs, while its weakest one is the efficiency and effectiveness of customs and other border procedures.

**Trade Outcomes**

Uzbekistan’s trade growth in real (constant 2000 U.S. dollars) terms has increased from an average of 14.6 percent over the 2005–07 period to 18 percent in 2008, as both export and import growth accelerated from 11.7 to 15.8 percent and 17.7 to 20 percent, respectively.

It is expected that growth trade will come to a halt in 2009 as real growth rates of exports decline while the growth in the volume of imports will remain positive.

In nominal U.S. dollar terms, Uzbekistan’s export growth slightly contracted from 40.7 percent in 2007 to 39.5 percent in 2008. Total trade turnover expanded faster growing from 40.7 percent in 2007 to 48.7 percent in 2008 thanks to imports, which increased 40.6 percent to 61.1 percent. High commodity prices of Uzbekistan’s main exports—gold, natural gas, and cotton—fueled the expansion of exports in terms of value. In the first half of 2009 exports of cotton, chemicals and automobiles experienced a sharp decline of between 20–70 percent. Gold exports remained stable, while exports of natural gas almost doubled, benefiting from favorable terms of an agreement signed with Russian Gazprom. According to official statistics, goods imports increased by 21 percent and exports declined by 1.5 percent in nominal U.S. dollar terms in the first half of 2009 as compared to the same period in 2008. Exports were bolstered by high natural gas prices and import growth was fueled by the vigorous investment-oriented stimulus program. In nominal terms, exports and imports are expected to increase by 24.5 percent and 29.6 percent, respectively, in 2009.

**Notes**

4. World Bank, April 2009, p. 3
8. RIANovosti, November 12, 2008.
9. As a result of the agreement between the government of Uzbekistan and Russian Gazprom, the price at which Gazprom buys Uzbek natural gas to re-export it to Europe was increased from US$160 in 2008 to US$340 in 2009.

**References**


