

# WORLD TRADE ORGANIZATION

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**Working Party on the  
Accession of Uzbekistan**

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## **ACCESSION OF UZBEKISTAN**

### Memorandum on the Foreign Trade Régime

In a communication dated 8 December 1994 (PC/W/20), the Government of Uzbekistan applied for accession to the World Trade Organization (WTO).

At its meeting on 21 December 1994, the General Council established a Working Party with the following terms of reference: "To examine the application of the Government of Uzbekistan to accede to the WTO Agreement under Article XII, and to submit to the General Council recommendations which may include a draft Protocol of Accession." The membership is open to all WTO Members indicating their wish to serve on the Working Party.

In accordance with the established procedures (WT/ACC/1), the Secretariat is circulating the attached Memorandum on the Foreign Trade Régime received from the Government of Uzbekistan. WTO Members wishing to submit questions on the Memorandum are invited to do so by 4 December 1998 for transmission to the authorities of Uzbekistan.

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## I. INTRODUCTION

The Republic of Uzbekistan declared its independence on 31 August 1991.

Since independence, the Government has steadily followed its major economic objective of a gradual transformation of the centrally planned economy inherited from the former Soviet Union into a socially-oriented market economy. Major emphasis is put on the creation of a new basis and on the improvement of the existing industrial basis of the economy.

Uzbekistan's unique approach to the reconstruction and progress is based on the principles of the market economy that proved a success in world practices and on a strict compliance with the ethnic foundations, traditions, customs and mentality of the Uzbek people.

The Government adheres to five basic principles in its efforts of reform: (i) the economy takes precedence over politics; (ii) the state is a major reformer, which determines priorities, devises and administers the policy of reform; (iii) the rule of law in all areas of life and business; (iv) transition to the market economy goes hand in hand with efficient measures of social protection; and (v) the transition to the market relations must be accomplished in stages, on account of local economic and social conditions.

The stage-by-stage process of transformation is aimed at maintaining social stability during the transitional period.

Following the policy of gradual transformation, in 1994, the Government successfully completed the first phase of transition, involving the implementation of a broad range of reforms. The old "command and administrative" system have been dismantled, including the state monopoly over foreign trade. The functions of the state central economic bodies had been radically revised to meet the requirements of a market-oriented economy. Economic relations and foreign economic activities were substantially liberalised and the infrastructure of market-based relations began to develop rapidly. A new system of taxation was put in place. A broad spectrum of a state-owned property and economic structures was privatised or made a subject of the process of privatisation. A stock exchange and a real estate market emerged. A two-level banking system comprised of state and commercial banks was created. A commodity exchange, trading houses, wholesale networks, broker agencies, insurance companies, with foreign participation, were established and began to function.

During the first stage, public order, political and social stability and peace were ensured. A totally new social security scheme was developed and launched, and the role of local governments (khokimiats) in administering measures of social support to needy families was enhanced.

Currently, the Republic of Uzbekistan is proceeding to its second phase of reforms, which involves a further denationalisation and privatisation of state-owned enterprises, a furthering of competitive market-based economic relations and an introduction of measures conducive to the attraction of foreign legal and physical persons in the process of transformations.

Among the top priorities of the Government are promotion of the development of the credit institution infrastructure required for the creation and expansion of the market economy institutions and participants (e.g., investment funds, banks and insurance companies) and for strengthening the securities market. In addition, particular attention is being given to the development of the secondary securities markets. Social protection of the population also remains among the top priorities.

A major objective of the transformation efforts of the Government is a successful integration of Uzbekistan into the world trading system. The accession to the WTO will contribute to such

integration and ensure the country's access to foreign export and import markets on the most favourable terms. The investment promoted both in new and existing productive facilities in the Republic of Uzbekistan will be instrumental for the country's access to external markets.

This Memorandum provides detailed information about the economy of the Republic of Uzbekistan, its trade-related policies, legal regime and international agreements.

Economic statistics provided herein are those to the end of 1997 (unless otherwise noted), while the information on the Governmental policies and legal regime shows the situation as of 1 July 1998. The Government of the Republic of Uzbekistan is ready to provide any additional information that member-states of the WTO may require.

## **II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE**

### **1. Economy**

(a) General description (territory, population, economic specialisation, main economic indicators).

#### **Territory and Population.**

The Republic of Uzbekistan is located in the middle of the geographic area known as Central Asia. The distance between the north and the south is 930 km and between the east and the west - 1,425 km. The total area is 447,400 square kilometres. The borders stretch for 6,221 km. The Republic of Uzbekistan borders Kazakstan in the north and north-east, Kyrgyzstan in the east, Tadjikistan in the south-east, Turkmenistan in the west, and Afghanistan in the south.

Almost the three-fifths of land are deserts, steppes or large semi-arid areas, whilst the other areas are the fertile valleys along the two main rivers – the Amudarya and the Syrdarya - between the mountain ranges. The plains are located in the south-west and north-west, namely the Ustuart Plateau, the delta in the lower reaches of the Amudarya and the Kizilkum Desert. The mountains and their foothills occupy almost the third of the country in the east and south-east. They are a part of the Western Tien Shan and Gissaro-Allay Ranges. The highest point in Uzbekistan is 4,643 meters above sea level. The climate is extremely continental. The maximum summer temperatures are usually above 42°C. The average annual precipitation ranges between 200-300 millimetres, while the driest areas of the Lower Amudarya and deserts have less than 100 millimetres of rainfall each year. The climate is dry, with little precipitation, low humidity and few clouds; summers are hot and dry and winters are short. A high seismicity, up to 8-9 points, is typical of the country's natural conditions.

By its administrative and territorial division, the Republic of Uzbekistan consists of the autonomous Republic of Karakalpakstan, 12 oblasts, 163 rayons and 119 towns. The main cities of Uzbekistan are the capital of Tashkent (2,100,000 inhabitants), Samarkand (362,000), Andijan (323,000), and Bukhara (238,000).

As of January 1, 1998, the population was 23,772,000, of whom 62.2 per cent live in the countryside. The population density is 53.1 persons per square km. The ethnic composition of population is represented by Uzbeks (75.8 per cent), Russians (6 per cent), Tadjiks (4.8 per cent), Kazaks (4.1 per cent) and by the people of other ethnic origin (9.3 per cent), amongst whom the most significant are Tatars, Kyrgyz and Karakalpaks.

Population growth rates are very high (on average, about 1.8 per cent per year, for the years 1990-1997).



Uzbekistan is among the regions having excessive labour resources, where the percentage of the population of able-bodied age is 48.9 per cent. The breakdown of the country's labour employed in the economy is set forth in Table 1-11 of Annex 1 to this Memorandum. The average life expectancy in Uzbekistan is 70.4 years. A feature characteristic of the labour potential is its educational level. The rate of literacy in 1995 was about 98.7 per cent. Every fourth employed person had a higher or secondary special education. The state language is Uzbek and Russian is used as a language of international communication.

Various religions (Muslim, Christian, Judaism) are practised in Uzbekistan, the most prevalent is the Muslim religion (Sunni).

#### The Economic Specialisation/Agriculture.

Historically, the agricultural sector is the most significant contributor to GDP, and contributed 34.4 per cent in 1994, 28.1 per cent in 1995, 22.5 per cent in 1996 and 26.8 per cent in 1997. The total area under cultivation was 4.0 million hectares in 1996, of which 37.1 per cent was under cotton, 43.4 per cent - cereal crops, 8.8 per cent - fruit, 3.3 per cent - vegetables, and 7.4 per cent - other crops, including tobacco. Three hundred thousand hectares are occupied by perennial plants and 600,000 hectares are used as subsidiary small holdings of peasants, workers and employees. Because of the dry climate, more than 82 per cent of cultivated land has to be irrigated.

The non-state sector (private small holdings, collective farms, lease companies, co-operatives, privatised farms and other non-state enterprises) accounts for 98 per cent of all agricultural output.

Uzbekistan is the world's fourth largest producer of cotton and the second - in terms of cotton - largest exporter. Furthermore, Uzbekistan is a large producer of fruit, vegetables and raw materials for food and food processing industries.

Agricultural production is steadily growing in Uzbekistan, having reached Sum 85.1 billion in 1995. Modification of the structure of cultivated land has led to a contraction of the production of some crops. However, the production of grain sharply increased as more land that was previously used for cotton is sown now with grain. In 1997, the output of grain reached 3.7 million tons, an increase of more than 40 per cent compared to 1994. (The main indicators of agricultural production are provided in the tables of Annex 1).

#### The Economic Specialisation/Industry.

Industry is a next important sector, which contributed 17 per cent of GDP in 1994, 17.1 per cent in 1995, 17.4 per cent in 1996 and 16 per cent in 1997.

The major industries in 1997 were<sup>1</sup>:

- Light Industry (21.4 per cent)
- Power Engineering (11.6 per cent)
- Metallurgy (10.4 per cent)
- Fuel industry (16.4 per cent)
- Machine-Building and Metal-Working (7.6 per cent)
- Food Production and Processing (10.4 per cent)
- Chemical and Petrochemical industries (4.3 per cent)
- Others (17.9 per cent)

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<sup>1</sup> The share of total industry output is stated in brackets.

The power energy is a basic sector, it plays a key role in the Uzbek economy. The major producers of electricity are hydropower and fuel burning power stations (Charvak, Syrdaraya, Tashkent, Navoi, Angren, etc.). The Republic of Uzbekistan possesses significant deposits of non-ferrous metals, including gold, silver, copper, lead, zinc, tin, tungsten, chromium, manganese and rare-earth metals. The country also has large hydrocarbon fuel deposits, including natural gas, oil and coal. In addition, there are large deposits of other minerals, such as deposits of different salts (required, in particular, for the production of sodium), precious and semi-precious stones and raw materials for constructions. Uzbekistan gives a special importance to its gold mining, being the seventh in the world in gold extraction and fifth - in gold resources. Uzbekistan is the tenth largest producer of natural gas in the world.

Until recently, Uzbekistan has been a net importer of oil. However, after discovering large oil deposits in 1992 - Mingbulak and Kokdumalak, the production of oil in the country is steadily growing. In 1995, the production of oil doubled compared to 1990, having reached 5.169 million tons. As a result, the Republic has an opportunity both to provide enough petroleum products to the domestic market and for export.

The production of natural gas is also steadily growing. From 1990 to 1997, the output of natural gas increased by 6.8 billion cubic metres, being now 51.2 billion cubic metres a year. The greatest proportion of natural gas is consumed in the domestic market. Only 8 per cent is exported, mainly through the gas pipelines to the Ukraine, to some regions of Turkmenistan, and also to Kazakhstan, Kyrgyzstan and Tadjikistan. With the development of transportation facilities (gas pipelines) it will be possible to increase the export of gas.

Metallurgy is also a large industry in Uzbekistan. The enterprises of non-ferrous metallurgy are located, mainly, in industrial and mining districts adjacent to Tashkent. They produce, primarily, copper, zinc, refractory and heat-resistant metals, and gold. The largest enterprises of this industry are the Almalyk and Navoi Mining and Metallurgy Works. The Chicrchik factory produces heat resistant and refractory metals from tungsten and molybdenum-containing ores discovered in Uzbekistan.

The chemical industry makes different kind of nitrous and phosphorus fertiliser, synthetic fibre and threads, varnishes and lacquers, ammonium, synthetic detergents, pesticides, alcohol, spirits, micro-biological and cosmetic products, rubber products and others.

The main role in the machine building belongs to enterprises manufacturing machines and equipment for agriculture, mainly, machines for cotton-growing.

A traditional branch of Uzbekistan industry is textiles and clothing, including cotton fibre and yarn, cotton and silk fabrics, kenaf fibre, hosiery, footwear, etc. Production of carpets and rugs, chinaware and haberdashery is also well developed.

Among the largest industries are food and food processing, using local raw materials and products. An important sub-industry is the production of cotton seed oil. Apart of this, there are many large canneries, flour mills, milk and meat factories, factories for soft drinks and confectioneries.

The construction materials industry is specialised, mainly, in the production of cement, roofing, bricks, reinforced concrete, panels and other construction materials. The production of marble is also an important component of this branch.

Uzbekistan also produces aircraft, automobiles, micro-vans, gas equipment, household refrigerators, elevators, line cranes, excavators (power shovels), machine tools and abrasives. A local industry of consumer goods of everyday purposes is well developed.

## Main economic indicators

Tables of the main economic indicators of the Republic of Uzbekistan are provided in Annex 1 of this Memorandum.

### (b) Current economic situation.

Since Uzbekistan gained its independence in 1991, the country's economy faced significant difficulties due to imbalances in the external and domestic sectors that had been caused by the disintegration of the Soviet Union and by the disruption of economic links between the republics. Despite this, Uzbekistan managed to avoid a sharp contraction of its production which was typical of other FSU countries. The real GDP in the country fell by 18 per cent from 1991 through 1995. The main decline in production occurred in the years 1992-94. In 1995 GDP went down by about 1 per cent. In 1996, the real GDP actually increased by 1.7 per cent and in 1997 - by 5.2 per cent.

The relatively moderate economic decline experienced by Uzbekistan since its independence is attributable to several key factors, including Governmental economic and development policies (described below), the wealth of natural resources, and the country's ability to quickly diversify its trade, bringing it to the new markets after the collapse of the Soviet Union.

In 1997, the nominal GDP was Sum 987.4 billion, of which 26.8 per cent was from agriculture, 16.0 per cent - from industry and 8.0 per cent - from construction. Per capita GDP in 1997 equalled Sum 41,734.1.

In the early nineties, Uzbekistan similar to all countries of the former rouble zone experienced inflationary processes. A significant growth of the prices of energy and raw materials coupled with a substantial growth of administrative expenditures and with an extension of large directed credits to the state sector enterprises pushed the prices in the rouble zone to increase by the beginning of 1993. The growth of prices was also provoked by an excessive issue of money by the Central Bank of Russia.

In November 1993, Uzbekistan left the rouble zone, this was instrumental for the establishment of the country's full financial independence. By the end of 1994, due the strict monetary, taxation and fiscal policies pursued by the Government it became possible to significantly reduce the rate of inflation. The monthly average inflation rate was 2.1 per cent in 1997, against 4.2 per cent in 1996, 6.7 per cent in 1995 and 24.5 per cent in 1994.

The budgetary deficit in 1995 amounted 2.6 per cent of GDP and 3.3 per cent in 1996. The percentage breakdown of the major budget expenditure categories in 1996 was as follows: education - 15.6 per cent; health care - 8 per cent; welfare and cultural programmes - 10.9 per cent; and the economy 24.8 per cent. (See Annex 1, Table 7, for a more complete breakdown).

In 1995, foreign trade turnover increased by 24.7 per cent compared with 1994, achieving a level of US\$6.61 billion. In 1996, foreign trade increased further, reaching US\$9.31 billion. Although the balance of payments was positive in the first half of 1996, it became negative in the second half of the year due to a significant plunge of the world prices of cotton, and due to lower prices of gold and increased prices of imported grain.

The share of the national income produced by the non-government sector has increased. In 1996, this sector contributed 68.9 per cent of the national income, compared to 63 per cent in 1994. The share of the non-governmental sector in the total employment has also been rising continuously, from 38.9 per cent in 1991 to 70.2 per cent in 1996. However, the distribution of employed population by sectors has not undergone significant changes, on the whole. In 1995, the labour

breakdown by different sectors was as follows: agricultural sector 41.2 per cent, industrial production 12.9 per cent, construction 6.3 per cent, and services 39.6 per cent. At present, the number of registered unemployed is 33.9 thousand people.

## 2. Economic Policies

(a) Main directions of the ongoing economic policies; tactical and strategic goals of the economic policies; pricing policy; economic development plans; privatisation plans; sectoral priorities; regional development plans; other

(i) *Guidelines of the ongoing economic policies; their tactical and strategic goals.*

Soon after independence, Uzbekistan embarked on the creation of a socially oriented market economy as its fundamental macro-economic goal. However, the process of transition from a centrally planned economy was complicated by the disruption of the established economic links. The situation was further complicated by the lack of experience in the organisation and management of the national economy during the transition to the market relations and by a shortage of sufficiently qualified specialists in this area. Therefore, the economic policy was aimed at maintaining the macro-economic and social stability while creating the legal and institutional infrastructure required for the transition to the market economy. At the same time, it became clear that the policy of maintaining macro-economic and social stability would require a gradual and stage- by- stage transition to the market economy.

During the first stage of economic reforms, the fundamental legislative basis of the market economic relations was developed.

During the first phase of transition, laws on property, enterprises, entrepreneurship, foreign economic activities, banks and banking, denationalisation and privatisation of the state property, the development of entrepreneurship were passed. The law-making process proceeded from two important constitutional principles: freedom and equality of all types of ownership, including private enterprises, and freedom of economic activities.

The Government managed to avoid a sharp decline of both the production and living standards. The system of payments was normalised, and special attention was given to the priority sectors<sup>2</sup> of production.

From 1994 onwards, the economic reforms in Uzbekistan entered a new phase of market transformation on a wider scale, involving the creation of a competitive environment and the shift of emphasis onto market forces as economic regulators.

On 1 July 1994, the domestic currency, the Sum, was introduced. As a result of tight monetary policies, the Government and the Central Bank could stabilise the exchange rate of the domestic currency, that became additional components of the stability in all sectors of the economy. Furthermore, the measures for reducing state budget expenditures introduced in 1994 enabled a reduction of the state budget deficit, bring down the rate of inflation, a saturation of the market with goods and a liberalisation of prices.

In 1994, measures were introduced also for speeding up the privatisation process and for expanding its scale. Stock exchanges were established and the restructuring of medium and large state enterprises into privately-owned ones began. A law on bankruptcy was passed, providing a basis for the liquidation of insolvent enterprises.

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<sup>2</sup> See, *infra* p. 15, the section on "Economic Development Plans/Sectoral Priorities."

After the adoption of these measures, the economy began to show some indications that the rates of economic decline persistent since the early 1990's had begun to slow down. In 1995, GDP decreased by only 1 per cent and in 1996 it had a positive growth of 1.6 per cent. By the beginning of 1997, the Government had attained its major goals of economic stabilisation, bringing down the inflation to an acceptable level, stabilisation of the Sum exchange rate and the creation of fundamental legal, regulatory and institutional conditions for deepening the transition process. In addition, favourable conditions has been created for the attraction of the foreign direct investment to Uzbekistan.

The Government has also undertaken measures to reduce the dependence on the importation of grain, meat and milk products. Substantial measures were also introduced in order to provide the domestic market with domestically produced oil and petroleum products; this was facilitated by the discovery of large oil deposits, rehabilitation and construction of oil refineries.

Among such measures were the following ones:

- (a) the Government made some steps reducing the area under cotton and increasing the production of grain. As a result of this policy, the irrigated land under cereal crops increased from 29 per cent in 1992 to 40 per cent in 1995 and the annual production of grain went up from 2.6 million tons to 3.2 million tons;
- (b) in order to increase the production of milk, meat and poultry, the Government introduced tax privileges for producers of such products and created conditions for extending loans to such producers on a priority basis. The Government also undertook some other measures for deepening the process of privatisation, corporatisation and for providing state support to enterprises of the "Uzmyasomolprom" (Uzbek Meat and Milk Production) Association, that provided more incentives;
- (c) after independence, with the purpose of attaining self-sufficiency in oil products, the Government introduced some measures for increasing oil production. The production of crude oil and gas condensate went up from 2.8 million tons in 1991 to 7.6 million tons in 1995, while the importation of crude oil went down from 9 million tons in 1991 to 1.5 million tons in 1995.

(ii) *Pricing policy*

Transition to price liberalisation is being implemented on a stage-by-stage basis, it has almost finished. Only few products are still subject to direct price regulation. The process of price liberalisation was initiated by the Cabinet of Ministers Resolution No. 4 of 16 January 1992.

During that period, the Government introduced a rationing system for major foodstuffs and consumer goods to alleviate the impact of the price increase on the consumer. The process of price liberalisation resumed in the second half of 1994 with the introduction of the domestic currency. Only three items (flour, sugar and vegetable oil) remained subject to rationing. All direct and indirect subsidies for foodstuffs (except flour) and consumer goods were eliminated, and the regulation of profit margins became less strict. With the elimination of rationing and of regulation of profit margins in early 1995, the process of price liberalisation was basically over.

All prices are now linked to cost recovery, except for the prices of heating, hot water and housing, that are still subsidised from the local budgets. Cross subsidisation from industrial customers to households for electricity and gas remains. In addition, indirect regulation of prices exists in respect of products of enterprises classified as monopolists in the Register of Monopolistic Enterprises

maintained by the Ministry of Finance (khokimyats indirectly control prices of the monopolistic enterprises entered in the local registers of regional financial departments).

In order to bring the prices of oil and petroleum products closer to world market prices, the prices of oil were raised significantly in 1995 and again in 1996, higher than the level required for a full cost recovery. The price of petroleum products, including the relevant VAT and the excise tax, is currently comparable to prices in the USA. In 1995 and 1996, the price of natural gas for industrial customers was also substantially raised bringing it closer to the world prices. The price of electricity for industrial consumers was raised in 1995 and 1996 and approached world level prices. The tariffs for electricity and gas for household are much lower than those for industry. The Government is gradually eliminating this difference. The local governments ("khokimyats") control retail prices and tariffs for the following services: heat and electricity, public transportation and public utilities.

The prices of some essential pharmaceuticals (20 generic names) and land plots are still subject to regulation by the Government.

(iii) *The system of the state order.*

In mid-1994, Uzbekistan almost completely replaced the system of the state order, inherited from the former USSR, by a system of procuring goods for the state needs at market prices.

In 1997, the state order for cotton was 30 per cent of all cotton production and it was paid for by the Government at prevailing world market price (using the official exchange rate). The state order for grain in 1997 was 25 per cent, and it was paid for by the Government again at the prevailing world market prices. Having fulfilled the state order, the producers are free to sell the remaining crop on the market.

(iv) *Privatisation and privatisation plans.*

Privatisation in Uzbekistan is being implemented in stages.

During the first phase, the Government began to privatise housing and small-scale enterprises. By the end of 1995, almost all housing and about 95 per cent of small-scale enterprises had been privatised.

The Presidential Decree of 5 January 1995 was aimed at creating private entrepreneurship and providing incentives for it. After the Decree was issued, about 64,400 individual and small enterprises were registered during 1995, of which 36,400 were private, about 17,300 - agricultural co-operatives, and about 10,700 - small enterprises. The Ministry of Macroeconomics and Statistics estimated that 67 per cent of the Net Material Product (NMP) in 1995 was contributed by the non-governmental sector.

During the second stage, the Government focused its all attention on the transformation of state-owned enterprises into corporate legal enterprises of a different type, including the transformation of the existing closed joint-stock companies into open ones, and also - a partial privatisation of medium and large enterprises. By the end of 1995, almost all closed joint-stock companies had been transformed into open ones.

By the end of 1995, significant progress had been achieved in reducing the amount of state-owned stock in transformed enterprises, to 30 per cent on the average. This policy was pursued by the State Property Committee (SPC) by selling the state-owned stock on the Republican Stock Exchange and through the National Investment Fund. The Government removed all restrictions on the types of activities in which may engage privatised entities or their ability to hire labour. In 1995, under the

programme of SPC, over 1,800 state enterprises were privatised, of which about 300 were medium and large ones. 6,700 more enterprises were privatised outside the frameworks of the SPC programme.

During 1995, the Government jointly with the World Bank began to formulate a programme of mass privatisation. This programme, unlike privatisation with the help of vouchers, is being implemented by establishing privatisation investment funds (PIFs) since June 1996. Similar to mutual funds, PIFs acquire stock of privatised enterprises and issue their own stock, known as the "Public Participation Shares". PIFs are set up by managing companies which represent private interests. They manage their portfolios of shares on behalf of shareholders. PIFs get capitalised by selling stock to citizens. The price of each share is about Sum 100 (about US\$1.30), citizens are not allowed to buy more than 100 shares in one PIF.

As of July 1998, 84 PIFs and 84 managing companies have been registered in various regions of Uzbekistan. 76 PIFs had their second prospectuses of issue registered, 60 of them have finished the sale of shares to people, 52 PIFs participated in auctions on the sale of stock of privatised companies. In total, since the beginning of the programme, PIFs sold shares valued at Sum 270 mill. During the first six months of 1998, 4 auctions were arranged where 1 344 thousand shares of 70 joint-stock companies were sold for a total amount of more than Sum 450.6 mill, of which 75.1 were paid for by the funds of PIFs and using a special state loan of Sum 1336.7 mill.

Initially, 300 medium and large scale enterprises will be subject to the mass privatisation programme. The Government will retain 26 per cent shares in such enterprises, 23 per cent will be distributed among employees, 21 per cent will be sold on the Republic Stock Exchange at market prices, and 30 per cent to be sold to PIFs at a nominal value. Non-residents will be able to buy shares of such enterprises on the secondary market of the Republican Stock Exchange. Licensed PIFs will be eligible to borrow through special credit lines established by the Government in order to finance the purchase of the stock of enterprises. Every share acquired by PIF for the funds received from the sale of shares of public participation will entitle the PIF to acquire on credit five more shares from the Government, on the terms of a seven-year period of repayment and a four year grace period when no interest will accrue. The grace period is aimed at providing time for PIFs to restructure the enterprises whose shares they buy. The cost of this credit programme to the Government is the privatisation proceeds that would be received when the Government were selling enterprises for cash.

The Government also formulated a programme of support to privatised small and medium enterprises. This programme is administered by the Business Fund. All privatisation proceeds initially accrue in SPC (State Property Committee), of which 30 per cent is transferred to the Business Fund and 30 per cent to the Ministry of Finance. The remaining proceeds are directed to local khokimyats (local governments) for loans to enterprises and reimbursement of expenses of the privatisation programme.

The Business Fund, established in mid-1995, is also authorised to be engaged in a wide range of activities, including long-term loans, technical assistance, feasibility studies, leasing of foreign equipment, trust management, factoring and broker services. The Business Fund may also provide loans on concessional terms (15-35 per cent interest rate, 2-5 years of grace period) for the period up to ten years. The Government regards the extension of subsidised credits to newly privatised enterprises to be an essential component for avoiding large-scale unemployment during the transitional period, especially in rural areas; however it has scheduled a phasing out of new loans by 2000, except to enterprises located in the most underprivileged areas.

In 1994 and 1995, the financial market was created and a number of relevant institutional structure was established, such as the Republican Stock Exchange, the National Investment Fund, and the National Share Depository that were designed for facilitating the issue of stock of privatised and

newly created joint-stock companies. In 1995, shares of a total value of Sum 1.5 billion (0.5 per cent of GDP) were sold through the Republican Stock Exchange and other relevant institutions. During the first six months of 1998, 2 797 deals were made on the Republican Stock Exchange, resulting in the sale of 1 134.7 thousand shares of 244 joint-stock companies at the amount of Sum 773.4 mill. Of this number, 167 deals were made on the secondary market where 62.0 thousand shares of 50 joint-stock companies were sold for a total amount of Sum 250 thousand.

Developing and deepening the privatisation process has led to the emergence of a new class of proprietors. More than 4,500 former state enterprises have been transformed into joint-stock companies. The total value of issued shares is more than US\$1 billion. The following large enterprises have undergone transformations: the Tashkent Aircraft Factory (manufacturer of IL-76 liners), the Tashkent Tractor Factory (the only producer of agricultural tractors in Central Asia), the Association "Uzbekcabel" (producer of unique multi-core cables), the Uzbek Metallurgical Works, the largest enterprises producing chemicals, transporting oil and gas, processing food and tobacco.

Out of 6.5 million economically active members of the population, about two million people are the shareholders of privatised enterprises.

Reforms are also carried out in the countryside. The number of private farms has reached 19,300, while in 1994 it was only 2,900. The number of small and medium private enterprises has reached 85,000.

Pursuant to the law "On Denationalisation and Privatisation" of 19 November 1991 (amendments and modifications introduced by the Laws "On Amendments and Modifications of Some Legislative Acts of Uzbekistan" as of 7 May 1993, 23 September 1994, 31 August 1995, 26 April 1996), land should not be subject to privatisation, except in cases specially provided for by law.

According to the Article 16 of the Land Code of the Republic of Uzbekistan as of 30 April 1998, "land is a state property, a wealth belonging to all nation, it is subject to a rational use, it is protected by the state and is not a subject to a sale/purchase, exchange, gift, pledge, except in the cases specified by legislative acts of the Republic of Uzbekistan".

The Article 17 of the Land Code passed on April 30, 1998 specified the rights of legal and physical persons for the plots of land:

- legal persons may have plots of land on the basis of the right to a permanent possession, permanent use, temporary use, lease and ownership, pursuant to this Code and other legislative acts;
- physical persons may have plots of land on the basis of the right to a life-long and inherited possession, permanent use, temporary use, lease and ownership, pursuant to this Code and to other legislative acts.

According to the Article 18 of the Land Code:

- the right of legal and physical persons for the plots of land shall arise according to the legally-specified procedure, during privatisation of trade and service units together with the plots of land which they are located on;



- the right of diplomatic missions or international organisations enjoying the same status and accredited in the Republic of Uzbekistan, to own the plots of land shall arise when buildings or parts of them to be used as mission offices, including a residence of a mission head, are acquired together with the plots of land which they are located on, as well as when the plots of land are acquired for the construction of mission buildings;
- the right of foreign legal and physical persons (including the members of diplomatic corps, mass media, staff of resident missions of firms, companies and international organisations, regular staff of enterprises with the foreign investment, as well as persons permanently residing and having residence permits in Uzbekistan) to own the plots of land shall arise when premises are acquired together with the plots of land they are located on, according to the legally-specified procedure.

(v) *Economic development plans/sectoral priorities.*

The following table provides a summary of the Government's economic development plans by industrial and sectoral priorities:

1. Electric energy:
  - to attract foreign investment into the development of hydroelectric power engineering; and
  - to modernise and rehabilitate high-voltage electric grids.
2. Coal-mining:
  - to restructure the sector and its enterprises by reorganising and, when required, liquidating enterprises;
  - to develop an open coal mining for reducing production costs; and
  - to introduce energy saving technologies.
3. Oil and Gas:
  - to construct and bring into operation oil refineries; and
  - to develop packages of documents for international tender designed to attract foreign investment to oil and gas exploration and exploitation; to conduct such tenders.
4. Light Industry:
  - to speed up the structural transformations of light industry enterprises, to search for new markets of supply, both in the CIS and outside; and
  - to purchase modern equipment.
5. Non-Ferrous Metallurgy:
  - to attract the foreign investment into the development of this sector

6. Machine-Building and Metal Processing:
  - to organise the production of machines, equipment (and their spare parts) for (i) processing agricultural products, (ii) mechanising small peasant and family farms, and (iii) applying them in coal mining.
7. Electric technology:
  - to orient enterprises to the production of complicated electrical appliances and equipment for generation of electricity; and
  - to create an electro-technical industry of consumer appliances.
8. Gold-mining:
  - to attract the foreign investment to the exploration and exploitation of gold deposits.
9. Food production/processing:
  - to establish small or medium production for processing milk, meat, fruit and vegetables in localities.
10. Pharmaceutical industry
  - to attract foreign investment to the establishment of the domestic pharmaceutical industry
11. Agriculture:
  - to attract the foreign investment to modernisation of agricultural production; and
  - to set up joint ventures with foreign participation for the modernisation of agricultural production, including export-oriented production.
12. Construction:
  - to attract foreign investment to construction; and
  - to encourage the manufacturing of energy-saving construction materials.
13. Automobile Industry:
  - to establish and expand the domestic automobile industry supplying the domestic market and exporting to the markets of the neighbouring countries.
14. Aircraft-construction:
  - to support and modernise the existing production of aircraft and spare parts.

(vi) *Regional development plans.*

The plans of regional development are in the process of development; in particular, the plan for the development of the Khorezm Region of Uzbekistan was approved in August 1997.

(b) Monetary and fiscal policy.

(i) *Monetary and credit policy.*

Financial and monetary policies of Uzbekistan are aimed at maintaining macro-economic and social stability. Therefore, the Republic of Uzbekistan is currently pursuing a restrictive monetary policy, with its main factor being the lowering of inflation and the stabilisation of the exchange rate of a new domestic currency, the Sum (introduced on 1 July 1994). This monetary policy also serves a second purpose of stabilisation of the financial system and of control over both real and nominal interest rates.

As far the Uzbek economy undergoes the period of transitions, two exchange rates are applied - market and over-the-counter (commercial) (a description of the system is presented at the end of this Section). Alongside this, a highly pro-active and tight monetary, credit and foreign exchange policy is pursued.

The banking system of Uzbekistan consists of the Central Bank of Uzbekistan (CBU), its 14 main territorial branches, 32 commercial banks, two of which were founded only by the Government (the National Bank for Foreign Economic Activities of the Republic of Uzbekistan (NBU) and the People's Bank), four banks with the participation of foreign capital and six private banks. The Government has its stake in joint-stock banks. The functions of financial bodies have been assigned to several institutions. CBU enjoys a great degree of independence by virtue of the Central Bank Law passed in mid-1995. It has exclusive powers to issue money and to regulate the use of foreign currency in the territory of Uzbekistan. CBU issues money, provides service on deposits and transfers for the Government, and also - extends loans to the Government.

The reserves of freely convertible currency are administered by the CBU. In early 1995, CBU began to buy gold from gold mining companies, paying for it at market prices, and by mid-1995 it was purchasing practically all of the gold produced in Uzbekistan. In December of 1995, the Ministry of Finance sold the remaining stock of its gold and short-term foreign currency deposits to the CBU. In 1996, the Ministry of Finance also entrusted to CBU the management of its foreign currency deposits with foreign banks. The share of the Uzbek international reserves held in CBU has risen from about one-third at the end of 1994 to almost three-thirds by the end of 1995.

During the first two years of independence, financial policies were designed to cushion the shrinking of production and of the domestic demand by subsidising consumption and production. As macro-economic imbalances widened in 1993, inflation rates were growing and a short-term debt began to accumulate rapidly. Financial policies were tightened following the introduction of the new domestic currency, the Sum, on 1 July 1994. CBU several times raised its loan interest rates and stopped extending loans to loss-making enterprises. The Government terminated its interest-free financing of state-owned enterprises and cut its other expenditures. As a result, the consolidated budget deficit in relation to GDP diminished by more than 10 percentage points in 1993 and went down to 4.1 per cent in 1994.

The efforts of stabilisation and structural reforms were intensified in 1995. Financial policies were tightened further as CBU raised its refinancing rate to a level that was positive in real terms, it sharply curtailed financing of the banks and eliminated an excessive liquidity in the financial system, having issued central bank deposit certificates and by buying credits at inter-bank auctions. The

consolidated budget deficit decreased to 2.7 percent of GDP, that was, mainly, the impact of new measures.

In an attempt to accumulate private savings, the People's Bank introduced new categories of deposits with positive real interest rates, and commercial banks became more active in attracting deposits of households. The real GDP in 1995 decreased by slightly more than one percent, while the inflation for 12 months, measured by the consumer price index (CPI), was brought sharply down to 117 percent, from 1,281 percent in 1994. The Government continued to pursue the policy of a managed floating exchange rate in 1995, when the fall of the exchange rate of Sum to US dollar by 42 per cent in nominal terms meant in real terms its appreciation by almost 50 per cent during a year. This appreciation in real terms continued in 1996. The official exchange rate of Sum to US dollar fell down by 46.3 per cent, from 36.16 Sums/US\$1 in January to 52.91 Sums/US\$1 in December 1996. However, the inflation in 1996 was estimated at approximately 64 per cent. It meant that in 1996 the price of Sum to US dollar in real terms went down by another 17.7 per cent.

Since independence, Governmental policies for development are designed for a transition to a more industrialised and diversified structure of the economy, for increasing its capacity for producing a wide range of goods and products, including finished and semi-finished goods, to be supplied to both domestic and export markets.

In an attempt to enhance the country's economic independence, the Government follows the policies of diversification of production and of the development of enterprises that would manufacture and process the most vital products and consumer goods for the Republic. As a result, since 1995 Uzbekistan is a net exporter of oil and the importation of energy, amounting during 1992-1994 on average 20 per cent of all imports, decreased significantly. The current account deficit of the balance of payments in respect of GDP contracted from almost 12 percent in 1992 to less than 1 percent in 1995. At the same time, at the end of 1995, the gross gold and foreign exchange reserves increased to the equivalent of more than six months of imports.

In the first three quarters of 1996, the external current account deficit widened to 8.1 percent of GDP because of a plunge of international prices of cotton, while the import of grain, consumer goods and capital goods required for the investment continued at higher world prices. It was also linked with the liberalisation of foreign exchange and trading systems. In order to maintain the foreign exchange reserves, to avoid difficulties with the balance of payments and to protect people, the Government began in October 1996 to limit convertibility; it significantly decreased the number of enterprises entitled to convert Sums into hard currency in CBU and established monthly quotas for all companies adequate for their real needs. This policy was aimed at restricting an importation of low quality consumer goods or of the goods available from the domestic suppliers and claiming later to convert proceeds from the sale of such goods. These measures were deemed as temporary and are to be gradually removed as the macro-economic situation of the country stabilises. Governmental policy is to have eventually a full convertibility of the domestic currency.

Reforming the financial institutions of the Republic of Uzbekistan plays an important role in the overall process of economic transformations.

The country's financial policy presumes that such institutions will be instrumental in attaining and maintaining macro-economic and social stability and also for creating favourable conditions for economic growth and for development and diversification of the economy. The current financial policy of the country is to gradually balance the budget by controlling public spending and raising tax revenues by collecting taxes more efficiently and on a wide taxation base of the private sector.

The control of public spending involves the elimination of subsidies for unprofitable enterprises in the public sector and the sale of such enterprises or their assets. Privatisation and a

post-privatisation support to state-owned enterprises furthers the Governmental financial policy of extending the private sector tax base and eliminating the need to subsidise unprofitable state enterprises.

The financial policy has been designed for a number of adjustment measures, involving also a stabilisation of the budget deficit on the level of 3 percent of GDP in 1997 (down from 4.1 percent in 1994).

(ii) *Taxes.*

On the revenue side, the Government intends to implement more effective tax collection measures, while maintaining taxes on a level not damaging to economic growth. The State Tax Committee (STC) takes part in drafting tax laws and enforcing governmental regulations. Important changes in tax policy and law were introduced at the end of April 1997 when Oliy Majlis passed a new and revised Tax Code which had consolidated, rearranged and rationalised the tax law of the Republic of Uzbekistan and is a basic tax law of the country.

The new Tax Code, passed by Oliy Majlis in late April 1997, was drafted with the assistance of international experts. It instituted taxes of eight basic types: (1) income tax on both physical and legal persons; (2) value-added tax; (3) excise tax; (4) property tax; (5) land tax; (6) tax on the use of subsoil; (7) environmental tax; and (8) tax for the use of water resources.

In accordance with the Article 28 of the Tax Code, the taxable income (profit) of legal entities in Uzbekistan is subject to taxation at a maximum rate of 35 per cent. This Article also authorised the Cabinet of Ministers to fix lower tax rates on income (profit) for some legal entities, in particular, for those who make agricultural products (as the main line of activity), and for enterprises with the foreign investment.

It should be noted, however, that agricultural enterprises are subject to income (profit) tax at differentiated rates (5 to 35 per cent) imposed by the Cabinet of Ministers, depending on company profitability.

Pursuant to the Article 35, "the foreign legal entities shall be subject to taxation in the territory of the Republic of Uzbekistan .... on account of the requirements of international agreements of the Republic of Uzbekistan", pursuant to the provisions of the Tax Code, i.e. at the rate of 35 per cent. Apart of the income (profit) tax, a permanent office of a legal person who is not a resident is subject to pay tax on the income (profit) of such permanent institution transferred abroad, at the rate of 10 per cent.

Income tax is levied on the taxable income (profit) of enterprises, calculated as the difference between the total (aggregate) income and deductions, established in accordance with the Tax Code.

Certain types of enterprises are exempt from the payment of income tax, e.g. enterprises producing prosthetic/orthopaedic items, legal entities engaged in transportation of passengers(excluding taxis), income received from construction and maintenance of roads in common use, manufacturing enterprises with a 50 per cent share of foreign capital in the statutory fund - that income (profit) which is reinvested for the development and expansion of production, etc.

Other types of enterprises are exempt from income (profit) tax for a some period, for instance, farms and private enterprises that get their income from processing and production of agricultural products, consumer goods, and construction materials - for two years from the date of their registration; newly created manufacturing enterprises with a foreign participation producing export products and goods for meeting the requirements of the domestic market - for two years from the

beginning of production, if the share of the foreign investment in the statutory capital is 50 per cent and more or for five years from the beginning of production, if more than 25 per cent of output are goods for children); manufacturing enterprises with the foreign investment that invest in the projects of the Republican Investment Programme - for seven years since the date of registration.

The Tax Code established a progressive scale of individual income (profit) tax, having a rate growing in relation to the size of income:

Amount of taxable income	Amount of tax
up to three minimum wages a month	15 per cent of income
from three (+ 1 Sum) to five minimum wages a month	the tax on three minimum wages plus 25 per cent on the amount exceeding three minimum wages
from five (+ 1 Sum) to ten minimum wages a month	the tax on five minimum salaries plus 35 per cent on the amount exceeding five minimum wages
from ten (+ 1 Sum) to fifteen minimum wages a month	the tax on ten minimum salaries plus 40 per cent on the amount exceeding ten minimum wages
above fifteen minimum wages a month	the tax on fifteen minimum salaries plus 45 per cent on the amount exceeding fifteen minimum wages

The Tax Code determines the types of income of natural persons that are not subject to taxation; for instance, the personal income from the sale of livestock and poultry raised in individual households, or from the sale of the products of bee-keeping and plant cultivation ( in a natural and processed form); the amounts obtained from the sale of property of physical persons belonging to them as a privately owned property, except proceeds from the sale of property received in course of business activities; wages and other personal income used for buying property of state enterprises; stock of privatised enterprises, dividends on stock reinvested in the shares of the joint stock company paying dividends, etc.

In accordance with the Article 66 "the payers of VAT shall be legal entities ...," and on "...imported goods (work, services) ... the legal and physical persons importing such goods."

Pursuant to the Article 73 of the Tax Code, VAT is levied at a 20 per cent flat rate. It should be mentioned that "on some socially important foodstuffs, VAT shall be paid at the rate of 10 per cent. The list of such products shall be established by the Cabinet of Ministers of the Republic of Uzbekistan."

Although the Republic of Uzbekistan pursues in general a policy of maintaining uniform tax rates on all forms of economic activities, sometimes the tax law and governmental resolutions are used in order to encourage a further development of the domestic social policy.

Zero rates of VAT (Article 72 ) are established for:

- "...the export of goods (work, services), except the cases when goods (work, services) are sold to countries applying a regime of taxation of the goods (work, services) exported to the Republic of Uzbekistan;<sup>3</sup>
- mineral fertiliser, fuel and lubricants supplied to agricultural enterprises for their agricultural production needs ".

<sup>3</sup> There is a CIS Agreement providing for the collection of VAT on exports intended for other CIS countries.

VAT exemptions (Article 71) for some goods and services are established in order to ensure a wider accessibility of such goods to people or to implement social policies, for instance, for some of the deals with some goods or services, such as the sale or lease of residential property, the sale of agricultural products of own production, a wide range of financial services (such as life insurance or pension service), municipal transportation service, mail service, privatisation deals or imports related to the humanitarian aid.

The Tax Code also provides for an introduction of excise taxes on certain groups of goods, whether produced in the country or imported. According to the Article 80 of the Tax Code, "the export supplies of goods subject to the excise export shall not be levied with the excise tax, except when the goods (work, service) are sold to the countries applying a regime of taxation of the goods (work, services) exported to the Republic of Uzbekistan."

In relation to the domestically produced goods that are subject to excise duty, the rate is assessed on the basis of the value of such goods (on account of the amount of excise), excluding the value added tax or a physical volume of goods. For imported products, the rate of excise duty is assessed on the basis of the value of such goods, determined according to the customs valuation procedures. The powers of establishing the list of goods subject to the excise and applicable rates have been delegated to the Cabinet of Ministers.

The Tax Code also introduced the property tax, which is different from the land tax, and is assessed for some types of property of legal entities and physical persons. 1 January 1998 onwards, the property tax for legal entities is four percent of the book value of basic assets, including of buildings and intangible assets, shown on the entity's balance sheet. Certain property is exempt from the payment of property tax, for instance, the property used for the production, storage and selection of agricultural products. The property of a number of legal persons is not subject to this tax, or instance, the property manufacturing enterprises with a share of foreign capital in the statutory fund not less than US\$500,000.

The Tax Code provides for the payment of land tax. Under the Tax Code, the payer of this tax is a person or a legal entity who owns land or has a right to its permanent use. The rates of land tax are determined by the Cabinet of Ministers. Some types of land plots and some taxpayers are exempt from the payment of land tax, for instance, the land used by institutions of culture, education, health care and welfare.

The tax on the use of subsoil is also provided for. It is paid by the legal persons engaged in mineral mining and also by those who construct or operate underground structures not related to the extraction mineral resources. The rates of the tax on the use of subsoil are established by the Cabinet of Ministers, depending on the volumes of mining, tectonegic formations (waste of mining and processing of raw minerals), volume of underground structures not related to mineral mining or the area of the plot of subsoil provided for the collections of geological materials.

An ecological tax is payable by legal entities engaged in the production of goods, performing construction work or services. The object of taxation is the production prime cost (cost of turnover) of goods (work, services). The ecological tax is paid at the rate of one percent.

Also, a tax on the use of water resources by legal entities was introduced, which is based on the volume of water used for production or technological purposes. The rates are established by the Cabinet of Ministers, based on the type of used water resources and on the type of activities of the user.

(iii) *Banking.*

The banking system of the Republic of Uzbekistan, as mentioned earlier, consists of the Central Bank of Uzbekistan (CBU), its 14 main territorial (regional) branches, and 32 commercial banks, two of which are established entirely by the Government (the National Bank for Foreign Economic Activities (NBU) and the People's Bank), four banks with the participation of a foreign capital and 6 private banks. The State has some stock in other banks, which are joint-stock banks.

Until mid-1996, for the establishment of commercial banks, in respect of the statutory capital it was necessary to comply with the requirements of CBU, Protocol No. 5, which was approved by the Resolution of the CBU Board of 28 March 1993 and provided that commercial banks should have the statutory capital of US\$2,000,000.

On 25 April 1996, Oliy Majlis passed a new Law, "On Banks and Banking," which is currently the fundamental banking regulatory act. The Law provided CBU with an authority to determine the minimum size of the statutory capital of commercial banks, at its own discretion and on a case-by-case basis.

According to the "Regulations on the Procedure of Bank Registration and Licensing" approved by CBU (Letter No. 22 of the CBU of 25 January 1997), the requirement of the minimum size of statutory capital of the banks with a foreign participation was lifted to US\$5,000,000.

(c) Foreign exchange and payments system; relations with the IMF, application of foreign exchange controls if any

(i) *Foreign exchange control foreign exchange rates.*

The official foreign exchange markets of Uzbekistan consist of the Republican Foreign Currency Exchange (RFCE) and an over-the-counter, or commercial, market (including the exchange offices).

Since the introduction of the domestic currency, Sum, on July 1, 1994, the Republic of Uzbekistan has been keeping to a system of a managed and floating exchange rate. The Government initially conducted weekly inter-bank foreign exchange auctions at RFCE so that to determine the official rate of Sum. Both licensed commercial banks and CBU participated in the auctions.

Initially, the official exchange rate determined at auctions was 7 Sums per US dollar as of 1 July 1994. The official exchange rates of other 30 currencies and SDRs are set through US\$ cross rates and are applied to official deals, including the foreign exchange sold by exporters to CBU for sale at auctions.

From mid-April 1996 through June 1996, the difference between the official and commercial rates went down to almost 5 per cent which resulted in a secondary introduction by banks of a small difference between the rate of purchase and sale proposed by exchange offices.

Currently, there is only one exchange rate, established weekly by CBU. The licensed banks apply a margin (a commission fee) 10-12 per cent higher than the official rate. The purchase and sale of foreign exchange by physical persons from exchange offices is on account of this margin (a commission fee).

As of 1 August 1998, the official exchange rate was about 101.02 Sums per US dollar.



(ii) *Convertibility and payments*

The Republic of Uzbekistan currently has a system of laws and regulations specifying the terms on which firms and individuals may get an access to foreign exchange at currency auctions and exchange offices of commercial banks.

Physical persons resident in Uzbekistan may purchase foreign currency at the marked-up rate from an exchange office of a commercial bank for personal needs, including for impending foreign travel. Residents may use credit cards.

Non-residents may convert sums into foreign currency at an exchange office at the marked-up rate if the individual presents documentation demonstrating that the sums were originally purchased from an authorised exchange office. Any individual desiring to purchase foreign exchange at an exchange office is required to present appropriate documentation and identification. Individuals may import any amount of foreign currency into the Republic without limitation; however, amounts imported by an individual in excess of US\$10,000 are subject to a 1 per cent duty. In importing foreign currency, individuals must make a customs declaration of the amount imported. Resident individuals may export the amount of foreign currency not exceeds US\$1,500, non-resident individuals may export the amount of foreign currency that was previously imported.

Both residents and non-residents, whether individuals or legal entities, can open sum and foreign currency accounts at commercial banks in Uzbekistan. Residents may open foreign currency accounts abroad only with special permission of the CBU. Legal entities with foreign currency export earnings are required to convert 30 per cent of those earnings at the official rate at the CBU.

The conversion of sum import earnings into foreign currency is subject to a system of regulations intended to guarantee the fairness of the underlying import transaction and the optimal character of the import contract's terms and conditions. This process is intended to ensure that importers of low quality, unnecessary, over-priced or illegally imported products cannot gain access to foreign exchange through the auction, either directly or through a commercial bank or other entity, for the purpose of converting the sum proceeds from the sale of these goods into foreign currency. The process is also intended to ensure that foreign exchange is readily available to finance the import transactions of licensed importers, whose transactions and intended resale prices (10 per cent maximum mark-up for wholesalers and 20 per cent for retailers) have been reviewed and confirmed as fair by the Ministry of Foreign Economic Relations.

The process is also intended to encourage the importation of modern productive equipment and technology for the purpose of creating productive facilities in priority areas of the economy by making conversion available to finance import contracts involving goods of productive or technological significance.

The priority areas of the economy are: (i) aircraft production and automobile industry; (ii) mining industry; (iii) chemical industry; (iv) agriculture; (v) production of packaging materials; (vi) production of construction materials; (vii) light industry; (viii) telecommunications; (ix) transport.

The major objective of the monetary and fiscal policy of the CBU is to control the growth of cash in circulation. The CBU intends to maintain the liquidity of the banking system to the extent sufficient to make payments timely and also recommend to legal entities that they make payments to each other (with the exception of retail sales of consumer goods and services, including travel, and the payment of wages) through inter-bank transfer.

(iii) *Relations with International Monetary Fund*

The Republic of Uzbekistan joined the IMF on 21 September 1992. The regional IMF office was later established in Tashkent in September of 1993. The IMF mission provides technical assistance and advice to the Government and the CBU. Its efforts are directed at improving the Government's abilities in the areas of monetary and currency policy, statistics collection and analysis, banking supervision, and identification of weak areas of the economy. The quota of Uzbekistan is specified in the amount of 199,500,000 SDR's, which has been in effect since 16 April 1993.

To increase the effectiveness of co-operation with the World Bank, the IMF and other international financial institutions, and to co-ordinate the work of ministries and institutions with missions of international financial organisations, a permanently operating Inter-Institutional Committee on the Work with International Financial Institutions was established in 1994.

The Government's economic programme for 1995 was supported by a first drawing under the IMF's Systemic Transformation Facility (STF) and an import rehabilitation loan from the World Bank.

For the purposes of further movement towards fulfilment of this programme, and to fight inflation and establish conditions for revival of economic growth, the programme of macro-economic stabilisation and reform for the period 1 October 1995 to 31 December 1996 was adopted. The Government's economic programme for 1996 was also supported by a second drawing under the STF and a stand-by arrangement with the IMF. The IMF has praised the Government's significant steps towards stabilisation.

In accordance with the Resolution of the Cabinet of Ministers No. 118 dated 18 March 1998, for further developing and deepening of co-operation with IMF the joint Working Group was established. The main objective of this Group is to elaborate a complex approach in implementation of measures for further liberalisation of currency and foreign trade systems. This Group includes representatives of the Cabinet of Ministers, Ministry for Foreign Economic Relations, Ministry for Macroeconomy and Statistics, Central Bank, State Property Committee, National Bank for Foreign Economic Activity and Resident Representative of IMF in Tashkent.

(d) *Foreign and domestic investment policies.*

In order to implement its policy of industrialisation and modernisation, the Government of the Republic of Uzbekistan has a highly pro-active policy of encouraging foreign direct investment, especially in certain priority sectors of the economy.

This policy to attract foreign investment resulted in amendments in 1992-94 to the Enterprise Tax law of 15 February 1991, creating tax benefits and privileges for legal entities with foreign investments. In particular, according to the above law, joint ventures, their subsidiaries and branch establishments 30 per cent or more owned by foreigners and specialising in the following industries: consumer goods production, agricultural machinery, agricultural production and food processing, medical equipment, light industry and recycling or building materials obtain up to a two year income tax holiday commencing at the moment of registration. Also, a joint venture with foreign participation that invests in a project, included in the State Investment Programme of the Republic of Uzbekistan obtains a five year income tax holiday.

The new Tax Code extends additional benefits to legal entities with more than 50 per cent foreign ownership and specialising in the production of consumer goods. On 5 May 1994, the Oliy Majlis enacted the law "On Foreign Investment and Guarantees for the Activity of Foreign Investors," (as amended on 23 September 1994 and 6 May 1995, the "FIL"), which reiterates and, in some cases,

extends the guarantees for the protection of foreign investment provided by earlier foreign investment laws.

In particular, these guarantees include: (i) protection against expropriation except in extraordinary circumstances (natural disasters, emergencies, epidemics and epizootics), provision for compensation in such an event, (ii) the right to repatriate profits, (iii) a ten year exemption from future adverse legislative changes, subject to certain exceptions for changes relating to matters of national defence, national security, public order and environmental protection; (iv) exemptions from export/import licensing and export/import duties for exports of a foreign owned entity's production and for imports for its production needs; (v) a tax exemption for property imported for a foreign-owned entity's own production needs and the personal needs of its foreign employees; and (vi) the right to resolve disputes by foreign arbitration.

In November 1996, a Presidential Decree "On Additional Incentives and Privileges for Enterprises with Foreign Investment" (the "MEFI Decree") established a special category of enterprises called "Manufacturing Enterprises with Foreign Investment" (MEFI) that will receive preferential treatment.

MEFI are defined by the Presidential Decree dated 27 March 1998 as wholly or partially foreign-owned legal entities, their branch companies and joint-ventures (i) having a charter fund of at least US\$150,000; (ii) having at least one foreign owner; (iii) in which the share of foreign investment accounts for at least 30 percent of the charter capital; and (iv) that derive more than sixty percent of their total income from their own production or the servicing of manufactured products.

The above-mentioned Decree also reduces the benefits available to enterprises not following within the definition of MEFI; however, enterprises with foreign investment not included in this definition and created prior adoption of the Decree will continue to receive the tax benefits granted under previous decrees, until those benefits expire.

Effective 1 January 1997, (i) MEFI investing in the State Investment Programme will be exempt from income tax for seven years, (ii) MEFI in which the foreign investment share of charter capital exceeds 50 per cent will be subject to a reduced corporate income tax rate of 20 percent (where the charter capital of the enterprise is between US\$300,000 and US\$1,000,000) and 16 percent (where the charter capital is US\$1,000,000 or more), (iii) income of an MEFI that is re-invested into production activity is tax exempt, and (iv) MEFI engaged in export-oriented and import-substituting production are exempt from the corporate income tax:

- for two years from the commencement of production if the foreign investment share of charter capital exceeds 50 per cent.
- for five years from the commencement of production if more than 25 per cent of all products produced are goods for children. In the following years the income tax will be collected at a rate equal to one half the normally applicable rate.

With the view of improving the coordination works on the formation of the investment programs, aimed at the provision of deep structural transformations of economy and creation of favorable environment for attracting foreign investments, a new Department of the Investment Programs has been established under the Cabinet of Ministers of the Republic of Uzbekistan in conformity with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 27 December 1997.

In the conformity with the Decree of the President of the Republic of Uzbekistan "On the actions aimed at the improving of the implementation mechanism of projects based on the foreign

investments" adopted on the ninth of February, 1998 the Department of the investment programs under the Cabinet of Ministers shall be the only authorized body responsible for the realization of the State investment policy monitoring the process of the implementation of the projects based on the foreign investments. It means (i) reveal and investigate those factors which are preventing the advancement of the investment projects at every stage of their implementation and take the operative actions on their elimination; (ii) draw out proposals on the improvement of the legislative basis for the investment activity; (iii) elimination of any bureaucratic barriers through the limitation of consideration terms of different issues related towards the implementation of the investment projects.

In conformity with the Decree of the President of the Republic of Uzbekistan dated 19 January 1998 " On the additional measures on the inspiration of the investment project implementation" and with the view of undertaking the structural transformations of the economy due to the implementation of the prioritized investment projects the technological equipment imported for the prioritized spheres included into the investment program for the year 1998; for the implementation of the investment project finance at the expense of foreign credits under the guarantee of the Government; for newly constructed and reconstructed enterprises specializing in the production of the commodity goods; foreign investments as their contribution to the authorized capital of the enterprise with foreign investments shall be exempted from the VAT.

There are special articles in all legislative acts determining the priority of the international laws over the national legislation, which provides the sound international relationship in the sphere of the legal practice.

(e) Competition policy.

It is the policy of the Republic of Uzbekistan to create the conditions necessary for a fully functional market economy based on free, fair and open competition.

Uzbekistan adopted its first antimonopoly law in 1992, which was strengthened in 1994. In February of 1995, the Government issued a resolution establishing a concrete plan of action for the demonopolization of key enterprises in agriculture and wholesale trade and transport to eliminate impediments to the entry of private companies into these markets.

Currently, the law "On Competition and Restriction of Monopolistic Activities in the Market for Goods" of 27 December 1996 (the "Antimonopoly Law") governs competition in the market for goods of the Republic of Uzbekistan, where the major participants are local legal entities and natural persons, as well as foreign entities, state administrative and local administrative authorities.

The law, which regulates the activity of monopolies and prohibits the use of unfair methods of competition, is now administered by the State Antimonopoly Organisation (SAMO), the creation of which is required by the Antimonopoly Law. The SAMO replaced the State Committee for demonopolization and the Development of Competition (SCDDC), which had been established by a Presidential Decree of 15 May 1996.

The SAMO is independent from other administrative authorities, and its decisions are subject to judicial appeal.

The SAMO, like its predecessor the SCDDC, is under the Ministry of Finance and is also responsible for the administration and enforcement of legislation on consumer protection, primarily the law "On the Protection of Consumer Rights" of 26 April 1996.

Under the antimonopoly law that was in effect until the end of 1996, producers of products with a market share of 35 per cent or greater were classified as monopolies, except for the food

industry where producers with a market share of 20 per cent or greater were regarded as monopolies. The application of these thresholds in the current transitional economy of Uzbekistan resulted in the classification of over 1,000 entities as monopolies and over 3,000 products as monopoly products. Consequently, under the old antimonopoly law, price increases for these products became subject to approval by the SCDDC.

Under the current law, the SAMO is responsible for developing and maintaining the competitive environment by identifying enterprises classifiable as "dominant enterprises," i.e. enterprises having a dominant share of the market for a given product.

Dominant enterprises having a 65 per cent or greater share of the relevant market for a given product are automatically classified as monopolies and come under the regulatory power of the SAMO.

Dominant enterprises having a 35 per cent or more but less than a 65 per cent share of the relevant market for a given product may be classified as monopolies if an investigation by the SAMO reveals the presence of factors justifying such classification.

In conducting this investigation the SAMO is required to consider the stability of the entity's market share, the relative size of the shares belonging to competitors, the degree to which the market is open to potential new competitors, and "other criteria characterising the concerned market." As a result of these new definitions, the SAMO is in the process of substantially reducing the list of monopoly entities and products.

The new law allows the SAMO to take a number of actions to limit the ability of a dominant enterprise to exploit its position, including the right to introduce price and profitability controls, and the right to require an enterprise to surrender profits made in violation of the law. The SAMO is also responsible for reviewing and approving mergers that may result in the creation of a dominant enterprise.

The Antimonopoly Law specifically indicates that the control of "natural" monopolies in certain specified sectors of the economy may be provided for in other legislation.

The specified sectors are: (i) extraction and production of oil, gas condensate, natural gas and coal; (ii) transportation of oil, petroleum products, and gas through trunk pipelines; (iii) generation and conveyance of electric power and thermal energy; (iv) railway transportation; (v) port and air terminal services; (vi) electronic and postal communication services provided by public providers; and (vii) water supply and sewage services provided by public providers.

Therefore, on 24 April 1997, the Oliy Majlis passed a new law specifically governing the operation of natural monopolies in these specific sectors, the law "On Natural Monopolies."

The new law defines a "natural monopoly" as an entity that supplies a product or service that, for technological reasons, is more efficiently delivered by one provider and for which demand is significantly price-inelastic due to the lack of available substitutes.

According to the law "On Natural Monopolies," the Cabinet of Ministers and the SAMO are responsible for regulating the operations of natural monopolies.

The following methods may be applied for the regulation of natural monopolies:

- the regulation of prices by the establishment of tariffs or maximum prices;

- the identification of consumers who must be provided with services and/or the determination of the minimum level of services that must be provided to such consumers in case it is impossible to immediately satisfy the entire demand for the goods, works and services provided by natural monopolies; and
- the licensing of the activities of natural monopolies.

As a result of the soviet period, some 78 large industrial enterprises were inherited and still operate on the Uzbek market. The break-up and restructuring of these entities is not possible within a short period of time. They carry out their activity under the supervision of the SAMO. These enterprises are concentrated in the chemical, machine building and mining industries.

**3. Foreign trade in goods and services: volume and value of trade, exports and imports, foreign trade balance, structure of trade, trade by geographic areas and dynamics of trade, accompanying statistical data and information on publications (annex 1 refers).**

Over the six years of independence, the foreign trade patterns of the Uzbek economy have changed radically. At present, all enterprises have the right to sell their own production on the world market, although a portion of the production of some goods remain subject to the state order system. Domestic prices of goods subject to state order are determined on the base of world market prices.

The foreign trade of Uzbekistan has been considerably liberalized for the years of independence. Trade and economic relations have been established with more than 120 countries not limited only by the cooperation with certain regions or groups of countries. The geography of foreign trade has been sufficiently changed and the turnover of the cooperation with the countries with highly developed economy has increased by 1.7, that is 72 per cent of the total turnover.

Starting with the year 1992 the foreign trade turnover has increased by five and in 1997 it was about US\$9 billion. The production with a high added cost (aircraft building, engineering, automobile industry, light, chemical and petrochemical industry, labour saving electronics, food products, services etc.) is occupying still increasing part in the structure of export production alongside with the traditional goods (cotton fibre, energy, ferrous and non ferrous metal).

The total volume of foreign investments of more than US\$8 billion allowed to provide the production of more than 200 new export products.

The balance of foreign trade turnover of more than US\$200 million was positive in the first half of 1998.

The tendency of the increase of export production with a high added cost became vivid. Thus, the volume of the mechanical equipment export has increased by 4.5, electrical equipment – by 2.6, automobile and other transport means- by 1.8. The total increase against major export goods is more than US\$122 million.

The realization of the policy of import rationalization allowed to decrease its volume by more than US\$700 million in the first half of 1998 to compare with the same period of 1997. More than 70 per cent of the imported goods is the manufacturing production including machines and equipment not produced by the republic and imported with the sake of the structural economic transformation.

Statistics on main imports and exports as well as a break-down of foreign trade are given in Tables 1-15 through 1-28 of Annex 1.

**4. Domestic trade in services, including the value and composition of foreign direct investments.**

The services sector accounted for about 34.6 per cent of GDP in 1995, and 38.3 per cent in 1996. In 1996, the share of total employment accounted for by the sector was 34 per cent.

The main domestic service industries are:

- trade and public catering
- education
- transport
- credit and insurance services
- health care and social protection

Most enterprises with foreign investments in the sphere of services have been established in trade and public catering, tourism, repair of equipment, transportation, and communications, as well as in the provision of consulting, financial, educational and medical services.

**5. Information on financial movements related to nationals working abroad, remittances, etc.**

There are no restrictions on the import of currency by nationals working abroad.

**6. Information on growth in trade in goods and services over recent years and forecast for years to come.**

Statistical data on foreign trade in goods over the last four years is provided in Tables 1-15 through 1-28 of Annex 1.

Due to the difficulties in converting the FSU currency (the rouble) into the former temporary Uzbek currency (the sum-coupon) and then into the current Uzbek national currency (the sum), it is rather complicated to present any specific information on foreign trade for the past period. Forecasts on the anticipated future levels of and trends in foreign trade in goods and services are being developed.

**III. FRAMEWORKS FOR FORMULATING AND ENFORCING THE POLICIES AFFECTING FOREIGN TRADE IN GOODS AND TRADE IN SERVICES**

**1. Powers of legislative, executive and judicial branches of the government**

According to the Constitution of the Republic of Uzbekistan, which affirms the country's commitment to the ideals of democracy and social justice, the system of the state power is based on the division into legislative, executive and judicial branches.

(a) Powers of the Executive Authority

(i) *The President of the Republic of Uzbekistan.*

The President is the Head of the State and of the executive power of the Republic of Uzbekistan.

The President of the Republic of Uzbekistan is simultaneously the Chairman of the Cabinet of Ministers.

The President is elected for a term of five years, based on a universal, equal and direct secret ballot. Pursuant to the Article 90 of the Constitution, only a citizen of the Republic of Uzbekistan upon reaching 35 years of age may be elected the president. According to the Constitution, the same person may not be elected a president for more than two consecutive terms.

The Constitution affords extensive authority to the President who represents the Republic of Uzbekistan both domestically and in its international relations.

Proceeding from the Constitution and from the laws of the Republic of Uzbekistan and for the purpose of their enforcement, the President issues decrees, resolutions and orders, that have a binding force all over the territory of the Republic.

The President signs the laws of the Republic of Uzbekistan. He is entitled to return a law to Oliy Majlis (the Parliament) for new discussion and voting, having stated his objections. If Oliy Majlis confirms its prior decision by a two-third majority vote, then the President will have to sign a law. The President is entitled to suspend or annul the acts of state administration and khokims.

The President recruits the apparatus of the executive power and guides its activities, provides for the interaction between the highest bodies of power and administration of the Republic, establishes and eliminates the ministries, state committees and other bodies of the state administration of the Republic of Uzbekistan, and submits subsequently relevant decrees for approval by Oliy Majlis.

The President appoints and dismisses the Prime Minister, First Deputy Prime Minister, deputy prime ministers, members of the Cabinet of Ministers, the Procurator-General and his deputies, subject to a subsequent approval by Oliy Majlis.

The President also has the power to nominate the Chairman and members of the Constitutional, Supreme and Supreme Commercial Courts, as well as the Chairman of the CBU Board and the Chairman of the State Committee of Nature Protection, subject to a subsequent approval by Oliy Majlis.

The President may, on his sole discretion, appoint judges of regional, district, municipal and economic courts. He may appoint and release from duties khokims of oblasts and of Tashkent City, subject to their subsequent approval by relevant councils of people's deputies. He is also entitled to release from duties khokims of rayons and cities, if they violated the Constitution or laws or committed actions that impair the honour and dignity of khokims.

The Constitution also gives the President the power to dissolve the Oliy Majlis.

In the area of international relations, the President conducts negotiations and signs treaties and agreements of the Republic of Uzbekistan. He ensures compliance with the treaties and agreements signed and with the obligations assumed by the Republic; he receives credentials of the



diplomatic or other representatives accredited under him; appoints and releases from duties the diplomatic or other representatives of the Republic of Uzbekistan in other states.

(ii) *The Cabinet of Ministers.*

The Cabinet of Ministers is the main governmental institution and the main executive body. It is formed by the President of the Republic of Uzbekistan and is approved by Oliy Majlis.

The Cabinet of Ministers consists of the Prime Minister and deputy prime ministers, the heads of ministries, state committees and bodies of economic management. The Head of the Republic of Karakalpakstan by virtue of his position is also a member of the Cabinet of Ministers.

The Cabinet of Ministers ensures the leadership over an effective functioning of the economy, social and spiritual sectors, and enforcement of laws or other resolutions of Oliy Majlis and of the decrees, orders and decisions of the President of the Republic of Uzbekistan.

The Cabinet of Ministers draws up the state budget and presents it for consideration by Oliy Majlis, it also has the responsibility for a budget execution.

The Cabinet of Ministers guides and co-ordinates the work and activities of the ministries, state committees, state administrations, and economic management bodies. It may also delegate some power to the ministries, state committees, and other state administrative bodies to deal with the issues falling within its competence. The Cabinet of Ministers is entitled to review or annul regulatory acts of the ministries, state committees or other state administrative bodies, if such acts contradict to the law.

The Cabinet of Ministers must resign its powers to a newly elected Oliy Majlis.

(b) *Powers of the Legislature*

The highest state representative body having a legislative power is Oliy Majlis (the Parliament) of the Republic of Uzbekistan.

Elections to the Parliament take place every five years, on the basis of a universal right to vote, by territorial constituencies on a multi-party basis.

The Oliy Majlis of Uzbekistan consists of 250 deputies. A session of Oliy Majlis has a quorum if not less than the two-thirds of all deputies take part in its work. Draft laws are passed by a majority vote of the deputies present and voting. The publication of laws and other regulatory acts is a compulsory condition for their enforcement.

The Chairman of Oliy Majlis and his deputies are elected from the number of deputies, by a secret ballot. One of the deputy chairmen is a representative of the Republic of Karakalpakstan, who is a deputy of Oliy Majlis of the Republic of Uzbekistan.

From the number of its deputies, Oliy Majlis establishes committees and commissions for drafting laws, reviewing and preparing matters to be considered by Oliy Majlis, for the control over the enforcement of laws or other resolutions.

The Oliy Majlis has exclusive powers to pass the Constitution and the laws of the Republic of Uzbekistan and to introduce modifications and amendments to them; to define the guidelines of domestic and external policies of the Republic and adopt the strategic state programmes; to regulate the matters of administrative and territorial units with the help of legislative means; upon submission

of the Cabinet of Ministers - to adopt the state budget of the Republic of Uzbekistan and to monitor its execution; to institute taxes and other compulsory payments; to elect the Constitutional, Supreme and Supreme Economic courts of the Republic of Uzbekistan; and to ratify and denunciate international treaties and agreements.

(c) Powers of the Judiciary

In accordance with the Article 106 of the Constitution of the Republic of Uzbekistan, the judicial branch is independent from legislative and executive branches, political parties, or other public associations.

The judiciary of the Republic of Uzbekistan consists of the Constitutional Court of the Republic of Uzbekistan, Supreme Court of the Republic of Uzbekistan, Supreme Economic Court of the Republic of Uzbekistan, Supreme Court of the Republic of Karakalpakstan, Economic Court of the Republic of Karakalpakstan are elected for a term of five years. The judiciary also has regional, Tashkent City, rayon, municipal and economic courts which are appointed for the same length of time.

The Constitutional Court of the Republic of Uzbekistan handles the cases involving the constitutionality of the acts of legislative and executive branches and interprets norms of the Constitution and laws of the Republic of Uzbekistan.

The Supreme Court of the Republic of Uzbekistan is the highest judicial body of administrative jurisdiction; it is also entitled to supervise the work of the Supreme Court of the Republic of Karakalpakstan, oblast, municipal and rayon courts.

The disputes arising in the economic sector or economic disputes between enterprises, institutions, organisations of different forms of ownership or between entrepreneurs are settled by the Supreme Economic Court or by economic courts falling under their appellate jurisdiction and according to their powers.

Courts are responsible for ensuring social justice, guarantees and protection of the rights of citizens. Courts are guided in their activities by the Law "On Courts" passed by Oliy Majlis on 2 September 1993 (on account of modifications and amendments introduced by laws of 31 August 1995 and 27 December 1996).

Under the Article 112 of the Constitution of the Republic of Uzbekistan, judges are independent and obey only to the law. They cannot be the members of any political parties or movements or occupy any other paid position.

A judge may be removed from his position prior to the end of his five-year term only on the grounds specified in the Law "On Courts."

## **2. Governmental entities, responsible for making and implementing policies affecting trade**

The policy of foreign trade is an inherent component of the overall external policies of the Republic of Uzbekistan.

In practice, the foreign trade policy of the Republic of Uzbekistan is formulated and enforced by the Cabinet of Ministers with the involvement of a number of ministries, agencies and state bodies that are headed by the Cabinet of Ministers or are under its overall control.

The leading role in devising and pursuing the foreign trade policy belongs to the Department for Coordination of Foreign Economic Activities, which is under a direct control and supervision of the Cabinet of Ministers, and the Ministry for Foreign Economic Relations.

The Cabinet of Ministers Department for Coordination of Foreign Economic Activities pursues its activities with the aim of developing and raising the efficiency of foreign economic relations of the Republic of Uzbekistan, co-ordinating the work of the ministries, agencies, state organs and organisations of the Republic, strengthening co-operation with the international financial and economic organisations, and creating a favourable investment environment in Uzbekistan. Along with a number of other tasks, the Department makes proposals on the Republic's foreign economic policy and on the improvement of the regulatory basis of the foreign economic activities.

The Ministry of Foreign Economic Relations has the responsibility for the improvement of the efficiency of foreign economic relations and export-import activities. The main functions of the Ministry are (i) to analyse international markets of goods and services, to draw out and sign international treaties and agreements on trade, economic and technical co-operation; (ii) to develop the strategy for the country's foreign economic activities in a number of special areas, such as pricing, import, export, advertisement of goods, scientific and technological equipment and information, etc. (iii) to regulate foreign economic activities of commercial entities, both state-owned and private, and (iv) to decentralise import and export operations.

The functions of the Ministry, related to negotiations of trade agreements, underwent serious changes at the end of 1994. Prior to that, it had been responsible for centralised exports and imports as well as for the control and monitoring the foreign trade policy through the issue of licenses. With the reduction of a number of licensed goods, its main activities shifted towards working out the trade strategies and trade regime of Uzbekistan, drafting trade regulations, monitoring export and import prices, making preparatory or co-ordination work for the accession to the WTO and other international organisations.

Export and import prices are controlled in such a way as to ensure that the goods were not exported below or imported above world prices.

### **3. Division of authority between central and sub-central governments**

#### *(i) Regional Executive Administration*

On a regional level the state authorities of the Republic of Uzbekistan function through 14 executive administrations, that are under a direct control of the Cabinet of Ministers: one is in the Republic of Karakalpakstan, one - in the Tashkent City, and one in each of the oblasts..

Every regional executive administration has a number of complexes that have a local competence over some matters, for instance, agro-industrial complex, economic complex, etc.

Each of such complexes reports both to a regional executive administration, of which it is a part, and to a relevant ministry. As far as the regional executive administrations are under the control of the Cabinet of Ministers and all the complexes of administrations report to relevant ministries, the local governmental policy having influence on the trade in goods and services is determined, mainly, by the central Government.

The heads of regional executive administrations in oblasts and in Tashkent City, known as "khokims", are appointed and released from duties by the President, subject to a further approval of a relevant oblast or municipal assembly - of the Council of People's Deputies (or "Jokargi Kenges" in the Republic of Karakalpakstan, the highest elected body of the Republic of Karakalpakstan). The

regional khokims and the khokim of the Tashkent city are the heads of both the executive and legislative branches within their respective territories.

On the lowest level are the rayon (district) executive administrations. The Republic of Karakalpakstan, all oblasts and the city of Tashkent are further divided into rayons. Khokims of all oblasts and of the city of Tashkent appoint and release from duties khokims of all rayons under their jurisdiction, subject to a further approval of a relevant municipal or rayon council of people's deputies.

(ii) *City and district Khokimiats*

According to the Constitution of the Republic of Uzbekistan, the representative authorities in the rayons (districts) and cities (except the cities of rayon jurisdiction or rayons of one city) are the Councils of People's Deputies headed by khokims, who proceeding from the interests of the state and its citizens address the matters falling under their jurisdiction.

Khokims of rayons and cities are the heads of both executive and legislative branches in their relevant territories.

The term of office of the Councils of People's Deputies and of khokims is five years.

Elections to representative authorities are held on the basis of universal (citizens of the Republic of Uzbekistan upon reaching 18 years of age), equal and direct voting.

The following matters fall under the responsibility of local authorities:

- ensuring compliance with the law, law-enforcement and safety of citizens;
- issues of the economic, social and cultural development of a territory;
- drawing up and execution of local budgets, imposition of local taxes, fees, and the formation of extra-budgetary funds;
- management of public amenities;
- protection of the environment;
- registration of civil status acts;
- adoption of regulatory acts; and other authorities that do not contradict the Constitution or the laws of the Republic of Uzbekistan.

(iii) *The Republic of Karakalpakstan.*

The Republic of Karakalpakstan is a sovereign republic within the structure of the Republic of Uzbekistan. It has its own constitution, which cannot contradict the Constitution of the Republic of Uzbekistan, and its own elected Council of Ministers.

#### **4. Any legislative programmes or plans to change the regulatory regime**

Oliy Majlis publishes agendas of its sessions, one month in advance.

The list of the laws related to the trade and economic issues that was passed in spring (25-26 April 1997), summer (29-30 August 1997), winter (25-27 December), spring (30 April – 1 May 1998) sessions of Oliy Majlis:

- Customs Code of the Republic of Uzbekistan
- Civil Procedural Code of the Republic of Uzbekistan
- Economic Procedural Code of the Republic of Uzbekistan
- Tax Code of the Republic of Uzbekistan
- Criminal Code of the Republic of Uzbekistan
- Land Code of the Republic of Uzbekistan
- the Republic of Uzbekistan Law "On Customs Tariffs"
- the Republic of Uzbekistan Law "On Natural Monopolies"
- the Republic of Uzbekistan Law "On Guarantees and Free Access to Information"
- the Republic of Uzbekistan Law "On Chambers of Commodity Producers and Entrepreneurs"
- the Republic of Uzbekistan Law "On Drafting Legislative Acts of the Republic of Uzbekistan "
- the Republic of Uzbekistan Law "On a Rational Use of Energy"
- the Republic of Uzbekistan Law "On Medicines and Pharmaceutical Activities"
- the Republic of Uzbekistan Law "On Geodesy and Mapping"
- the Republic of Uzbekistan Law "On the Municipal Passenger Transport"
- the Republic of Uzbekistan Law "On Quality and Safety of Food"
- the Republic of Uzbekistan Law "On Improvement of Conditions of Agricultural Enterprises"
- the Republic of Uzbekistan Law "On Protection and Use of Flora"
- the Republic of Uzbekistan Law "On Protection and Use of Fauna"
- the Law "On Mass Media"
- the Law "On Foreign Investment"
- the Law "On Guarantees and Measures for Protection of the Rights of Foreign Investors"
- the Law "On Agricultural Co-operatives" (shirkats)
- the Law "On Peasant Farms"
- the Law "On Farms"
- the Law "On State Customs Service"
- the Law of the Republic of Uzbekistan "On State Tax Service"
- the Law "On Pledge "

## **5. Laws and legislative acts**

A list of laws and legislative acts that regulate economic activities and foreign trade in goods and services is shown in Annex 2.

## **6. Description of court, arbitration or administrative tribunals or procedures**

### **(a) Court procedures**

Foreign companies are entitled to refer to the economic (arbitration) court, using the same rights as domestic companies. A plaintiff should accompany his application to the economic court with the documents (copies of letters, etc.) supporting his claims.

Court proceedings are in the Uzbek language and/or in any language acceptable to both parties. All court proceedings are open for the public; closed hearings are allowed only in the circumstances specified by law (e.g., if a case concerns the state and/or commercial secrets).

The procedure depends on the amount claimed, location of parties and is conducted according to the Economic Procedural Code of the Republic of Uzbekistan.

Disputes are considered and determined by a single judge of the economic court having a primary jurisdiction over disputes. At any stage before an award is made by the economic court, the parties may agree a dispute settlement. In such event, the court will make a record about the conditions of dispute settlement and will close the case.

An award of the economic court becomes enforceable 30 days after it was made. During this time either party may appeal an award in the same court. If an appeal is filed, a case is reviewed by a panel of the arbitration court, consisting of not less than three judges. An appeal does not suspend, however, an award of the court.

Within 30 days after the judgement becomes enforceable, either party may appeal an award in the Supreme Economic Court. In such case the Supreme Economic Court may suspend an award by an application of a party.

Note that an economic court may, wherever appropriate, apply foreign law. Furthermore, if an international agreement provides an opportunity to apply another procedure, such a procedure will be followed.

(b) Arbitration procedures

Foreign investors are entitled to settle disputes by referring to a court of arbitration, should it have been agreed with another party. The parties are free to refer to arbitration in the Republic of Uzbekistan or in any other place. Awards of a court of arbitration are enforced by the courts of Uzbekistan.

The Republic of Uzbekistan signed the New-York Convention (1958) on Recognition and Enforcement of Foreign Arbitration Awards.

This way, the courts of Uzbekistan should ensure the enforcement of provisions of the contract, the parties of which have agreed to refer a case to an international arbitration, including an arbitration award made by it, if the enforcement of award does not contradict the public policy or law of the Republic of Uzbekistan.

The Republic of Uzbekistan is also a party to the Convention on Settlement of Investment Disputes. Thus the courts of Uzbekistan have an opportunity to enforce decisions of the International Convention on Settlement of Investment Disputes.

(c) Administrative procedures

A dispute about a decision of a governmental body must be first appealed in the highest body of a concerned agency or department. A case may be appealed afterwards in a competent court.

Administrative decisions are made pursuant to the principles of the Code of the Administrative Responsibility of the Republic of Uzbekistan of 22 September 1994.

#### **IV. POLICIES AFFECTING TRADE IN GOODS**

##### **1. Import Regulations**

###### **(a) Registration requirements on import transactions**

In order to conduct foreign trade or other economic activities, an enterprise (organisation), after a state registration and inclusion into the State Register of Enterprises, should be registered by the Ministry of Foreign Economic Relations (MFER).

Any legal entity, except non-commercial organisations, may be registered by MFER as a participant of foreign economic relations.

An enterprise registration and inclusion into the Register of the Participants of Foreign Economic Relations is made on a personal appearance of applicant. For companies with the foreign investment, the period of registration as a participant of foreign economic relations by MFER is three days from the submission of applicant's documents; for other organisation this period is five operational days. An enterprise (organisation) is subject to the annual renewal of registration as a participant of foreign economic relations. For registration as a participant of foreign economic relations a fee amounting five minimum wages is charged. As of July 1998 this amount was Sum 5,500 (about US\$60.)

###### **(i) Import contract registration**

According to the Resolution of the Cabinet of Ministers No. 137 of 31 March 1998, the instruction of MFER, Ministry of Finance and the State Customs Committee No 424 was devised in order to determine the procedure of registration of import contracts by MFER.

Contract registration should be made within ten operational days from the date the applicant's documents were received by MFER.

The major purpose of registration is a protection of the state interests and of the interests of Uzbek companies during import operations, protection of consumers from low-quality goods and streamlining of foreign exchange operations.

The "Procedures of Registration of Import Contracts by MFER" registered by the Ministry of Justice on 8 April 1998, under No 424, laid down the grounds for a refusal of contract registration, in particular, in case of non-compliance with the standards of the international trade law or with the effective law of the Republic of Uzbekistan, or in case of importation of ecologically harmful technologies, equipment or other goods.

A decision to refuse a contract registration should be reasoned and presented to an applicant in writing. An unreasonable denial to register a contract may be appealed in a court procedure.

According to the Decree of the President of the Republic of Uzbekistan of 8 February 1998 "On Additional Measures for Streamlining Import Operations", import contracts of only those economic entities who have no foreign exchange of their own are subject to registration by MFER.

The import contracts registration process is regularly liberalising.

**(b) Characteristics of national tariffs, customs tariff nomenclature (harmonised system), types of duties, a general description of the customs tariff structure, weighted average level of duties on main groups of customs tariffs. application of MFN tariff rates, tariff preferences**

(i) *Import customs tariffs*

With the objectives of a further liberalisation of foreign economic activities and for an improvement of regulations of export-import operation, the Presidential Decree No. UP-1871 of 10 October 1997 introduced new rates of import customs duties on 1 November 1997. The Presidential Decree introduced a 3 per cent minimum rate of customs duties for all imported goods, (work and services), except for the goods listed in Annex 1 to the Resolution of the Cabinet of Ministers of 24 February 1998 No 80 "On Measures of Tariff Regulations".

According to the Resolution of the Cabinet of Ministers of 31 March 1998 No 137 "On additional Measures for Liberalisation of Foreign Trade Activities in the Republic of Uzbekistan", the aforementioned rates are the rates of the most favoured nation treatment (MFN). The tariff rates applied in respect of those countries to which the MFN treatment is not used are double the MFN rates.

The list of tariff rates on goods (work and services) with a designation of their code in the Nomenclature of Goods of Foreign Economic Activities was approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of 24 February 1998 No 80 "On Tariff Regulation Measures" (set forth in Annex 10 to this Memorandum).

The Law "On the Customs Tariff", passed by Oliy Majlis on 29 August 1997, in force since 1 January 1998, specifies the following types of rates of customs duties:

- *ad valorem* rate, assessed as a percentage of the customs value of goods;
- specific rates, assessed as a fixed amount for a unit of taxable goods;
- combined rates that combine the two mentioned types of rates.

The Law "On the Customs Tariff" provided that the upper levels of the rates of import customs duties applied in respect of goods originating from the countries to which the Republic of Uzbekistan applies the most favoured national treatment should be established by the legislature.

Imported goods originating from the customs territories of the countries which signed the Agreements about Free Trade Areas (see part VII of this Memorandum) are not subject to import customs duties. The said countries are entered in the list registered by the Ministry of Justice on April 8, 1998, No 429. This regime is applied to the trade with Azerbaijan, Belarus, Georgia, Kazakstan, Kyrgyzstan, Moldova, Russia, the Ukraine and Tadjikistan.

(ii) *Most Favoured Nation Treatment*

The list of countries to which the Republic of Uzbekistan provided MFN treatment was registered by the Ministry of Justice on 8 April 1998, No 426. It includes:



1. Austria	10. Ireland	19. Pakistan	28. Czech Republic
2. Belgium	11. Spain	20. Portugal	29. Switzerland
3. United Kingdom	12. Italy	21. Poland	30. Sweden
4. Hungary	13. Republic of Korea	22. Romania	31. Estonia
5. Vietnam	14. China	23. Slovak Republic	32. Japan
6. Germany	15. Latvia	24. United States	33. Malaysia
7. Greece	16. Lithuania	25. Turkey	34. Jordan
8. Denmark	17. Luxembourg	26. Finland	35. Saudi Arabia
9. India	18. Netherlands	27. France	

(iii) *Customs tariff nomenclature*

Uzbekistan applies the Nomenclature of Goods of Foreign Economic Activities developed on the basis of the Harmonised System of Goods Description and Coding (HS) and on the Combined Nomenclature of the European Union.

All codes of goods consist of nine decimal digits:

- digits 1-6 correspond to the code of classification grouping of goods in the Harmonised System;
- digits 7-8 correspond to the code of goods in the EU Combined Nomenclature;
- digits 9-0 designate to distinguish traditional goods of the Nomenclature of Goods of Foreign Economic Activities.

(iv) *Weighted average level of import duties*

Under the existing tariff regime, the weighted average rate of import duties on all imports in 1998 was about 5.0 per cent.

(v) *Tariff preferences.*

The Republic of Uzbekistan does not apply the system of tariff preferences used by WTO.

(c) *Tariff Quotas, Tariff Exemptions*

The Republic of Uzbekistan has no tariff quotas.

By Resolution of the Cabinet of Ministers of 31 March 1998 No 137 "On Additional Measures for Liberalisation of Foreign Trade Activities in the Republic of Uzbekistan" the following goods were made exempt from the payment of customs duties:

- (i) goods supplied under intergovernmental or credit agreements signed on behalf of the Government of Uzbekistan or against its guarantees;
- (ii) goods imported from the countries with whom Uzbekistan have signed agreements on a free trade regime;
- (iii) goods imported using budgetary funds according to the resolutions of the Government of the Republic;

- (iv) goods imported by foreign legal persons making a direct foreign investment to the country's economy of more than US\$50 mln., on condition that such imported goods are of their own production.

The goods imported into the customs territory of the Republic of Uzbekistan and exported from it according to the established procedures are not subject to customs duties, if:

- they are brought as exhibits for exhibitions, advertisement or presentations;
- they have a form of raw or other materials, components carried in (out) for an industrial processing and obtaining products subject to be carried out (in).

According to the Article 12 of the Republic of Uzbekistan Law of 30 April 1998 "On the Foreign Investment", the property brought for production purposes or for personal needs of the foreign staff of enterprises with foreign investment is exempt from customs duties.

Pursuant to the Article 33 of the Law "On the Customs Tariff", the following items are exempt from the payment of customs duties:

- transportation vehicles engaged in international transportation of cargo, luggage and passengers as well as their logistic facilities, fuel, food and other property required for a regular operation in transit, in the places of stop-over or the property acquired abroad because of an emergency (break-down) of such transportation vehicles;
- domestic currency of the Republic of Uzbekistan, foreign exchange (except for numismatics) and securities, pursuant to the Law;
- logistic facilities, fuel, food and other property taken outside the customs territory in order to ensure the operation of ships of the Republic of Uzbekistan, ships leased by legal and physical persons of the Republic of Uzbekistan, ships engaged in fish-catching or the products of fish-catching brought onto the customs territory of the Republic of Uzbekistan;
- goods subject to be transferred into the property of the state in cases specified by law;
- goods brought onto the customs territory or taken outside it for an official or personal use by the representatives of foreign states or by physical persons entitled to a duty-free importation of such objects, based on the law or international treaties of the Republic of Uzbekistan;
- goods carried onto the customs territory of the Republic of Uzbekistan or carried from it as a humanitarian assistance, grant aid or for charity purposes in which are involved the states, international organisations, including for a technical assistance and for elimination the consequences of emergencies or natural disasters; school textbooks for free education, pre-school and medical treatment institutions;
- transit goods moved under the customs control through the customs territory and intended for third countries;
- goods moved across the customs border by physical persons and not intended for manufacturing or commercial activities, pursuant to the customs law.

- (d) Other duties and charges, specifying any fees for services rendered

(i) *Customs fees/charges*

According to a new Customs Code of the Republic of Uzbekistan passed on 29 August 1997 by Oliy Majlis, the following fees are levied for: (i) customs formalities; (ii) customs services; and (iii) issuance of the customs certificate.

These charges are identical to those already provided for by the State Tax Committee Order No. 218 "On Rates of Fees for Customs Procedures and Services and for the Issue of Certificates" of 31 December 1994. Those rates are set forth in the following tables:

Table IV-1: Rates of Customs Fees for Customs Formalities

	Types of customs procedures linked with	Rates as percentage of the invoiced price of goods
1.	Export/Import Operations	0.15
2.	Goods for Exhibition and Other Goods Imported & Exported Temporarily	0.15
3.	Supply of Grains, Sugar and Equipment for Industrial Units either in the Process of Construction or Subject to Rehabilitation	0.05

Table IV-2: Rates of Fees for Customs Services

	Types of customs services	Rates as a multiple of the minimum monthly wages
1.	Instruction provided to a specialist on declaring goods	3
2.	For calling a customs officer to make customs formalities outside a station, including of the goods under the customs control on the territory of enterprises and organisations that provide such a storage, per one man/hour: - during work hours (9:00-18:00) - beyond the hours of work (18.00 - 9.00), on Saturdays, Sundays and on the days-off	0.1 0.2
3.	Processing cargo for exhibitions, per one man/hour: - during work hours - beyond the hours of work (18.00 - 9.00), on Saturdays, Sundays and on the days-off	0.2 0.4
4.	Certificate issue of the right to register and re-register the transportation vehicles brought by citizens to the Republic of Uzbekistan, including for a time being: - Cars - lorries, vans, buses; - transportation facilities not driven by engines (trailers, semi-trailers, summer cottages and other) - motorcycles, scooters, motorbikes	3 4 2 1.2
5.	Issue of written certificates of the import/export of goods, copies of declarations, inventory journals of goods and foreign currency and other data	0.3
6.	Inspection of one lorry: - with cargo - empty	0.2 0.1
7.	Inspection of one bus	0.2
8.	Inspection of one car	0.2

Table IV-3: Rates of Fees for the Issue of Customs Certificates

	Types of certificates	Rates as a multiple of the minimum monthly salary
1.	Issue of a qualification certificate to a expert on declaration of goods	5
2.	Issue of a certificate of the right to declare goods on a contractual basis as a broker	25
3.	Issue of a certificate of the right to open a duty-free shop	50
4.	Issue of a certificate of the right to establish a customs warehouse having a total area of: - up to 500 square meters - up to 1,000 square meters - more than 1,000 square meters	50 60 70
5.	Issue of a permit for processing of temporarily imported foreign goods (raw materials)	10

Proceeds are transferred to the accounts of the departments of the State Customs Committee and are used for their development.

Paragraph 2 of the aforementioned Order No. 218 identified the following goods to be exempt from charges for customs procedures:

- (i) goods imported to or exported from the Republic of Uzbekistan at the total value of less than ten minimum wages;
  - (ii) goods imported to or exported from the Republic of Uzbekistan as a humanitarian aid;
  - (iii) military ammunition imported and exported by the Ministry of Defence, by the National Security or by the Ministry of the Interior of the Republic of Uzbekistan; and
  - (iv) Goods intended for an official use by diplomatic missions of foreign states, international organisations or associations provided with customs privileges in the territory of the Republic of Uzbekistan.
- (e) Quantitative restrictions of import, including prohibitions, quota and licensing systems
- (i) *Quotas*

The Republic of Uzbekistan applies no import quotas.

(ii) *Import prohibitions*

Annex No. 5 to the Presidential Decree No. UP-1871 of 10 October 1997 specifies the list of items prohibited for importation to the Republic of Uzbekistan. The list includes published materials, manuscripts, stamps, drawings, pictures, films, negatives, movies, video and audio products, phonographs, recordings and records that are aimed at (i) undermining the State and the public order, (ii) violating the Republic's territorial integrity, or its political or state sovereignty, (iii) propaganda of war, terrorism, or violence, (iv) ethnic superiority, or (v) religious hatred, racism or its varieties (anti-Semitism, fascism), or pornographic materials.

In accordance to the Governmental Resolution # 213 dated May 15, 1998 the entry and transit of ethylic alcohol is prohibited.

(f) *Import licensing procedures*

Information on import licensing procedures in the Republic of Uzbekistan is set forth in Annex 3 to this Memorandum.

(g) *Other border measures*

The Cabinet of Ministers Resolution No. 95 of 13 March 1996 "On Measures for Improving Control over the Use of Foreign Exchange for Foreign Trade Operations" (with amendments as of 14 August 1996, 1 November 1996, 21 November 1996 and 24 February 1998) requires a registration of "passports of import operations" (a document describing a contract on import and its terms, it is to be signed by an importer, a bank official and a customs officer).

Pursuant to this Resolution, the banks are authorised to make advance payments at an amount not exceeding fifteen percent of the value of contract. The remaining contract amount is paid on importer's surrender of a customs declaration, certifying the customs clearance of goods, to the bank.

(h) *Customs valuation*

The Law of the Republic of Uzbekistan "On the Customs Tariff" specifies provisions on the calculation of the customs value. Pursuant to the mentioned Law, from 1 January 1998 the rates of customs duties are calculated on the basis of the customs value of goods (work, services).

According to the customs legislation, the customs value is used for levying *ad valorem* rates of duty, customs fees, VAT and excise taxes. The customs value is also applied in foreign trade statistics and for other trade regulation measures by the state, if they need to have a value of goods.

For additional information, see Annex 4 of this Memorandum.

(i) *Other customs formalities*

In accordance to the existing regulation in order to facilitate clearance of exported or imported cargoes the customs bodies have to receive necessary certificates, invoices; contract and cargo customs declaration.

Customs officers have the right to request the documents of origin on the basis of which declaration was filled-out, should the presented data cause some queries or doubts.

(j) *Pre-shipment inspection*

In order to ensure the importation of quality consumer goods, foodstuffs, machinery, equipment and technologies the Cabinet of Ministers of the Republic of Uzbekistan adopted the Resolution No. 534 " On Measures for an Independent Expertise of Contracts and Pre-shipment Inspection of Imported Goods" of 3 December 1997. This Resolution provides for an independent contract expertise to be conducted by consulting firms as to the compliance with quality, quantity, level of prices of imported goods and other contract terms and to ensure a pre-shipment inspection.

An independent examination of import contracts and a pre-shipment inspection of imported goods has to be done by the consulting firms pursuant to the requirements of the International Federation of Inspection Agencies who should be accredited by Uzgosstandard (State Standards Committee) under the Cabinet of Ministers of the Republic of Uzbekistan, according to the procedures internationally accepted and approved by the International Chamber of Commerce, exporter' standards of guarantees, and the GATT/WTO Agreement about a Pre-shipment Inspection.

The economic entities of Uzbekistan engaged in importation of goods, have rights at their own discretion, refer to consulting firms in order to have a contract expertise and a pre-shipment inspection.

A pre-shipment inspection is not applied to:

- importation of goods under contracts of a total value not more than \$50,000; or
- importation of specific goods whose import is subject to licensing of MFER of the Republic of Uzbekistan.

(k) Application of domestic taxes to imports

(i) *Value Added Tax (VAT)*

The Tax Code of the Republic of Uzbekistan established a 20 per cent rate of VAT for the goods (work, services) imported to the Republic of Uzbekistan. For four types of foodstuffs (flour, bread, meat and milk) the rate of VAT is 10 per cent.

VAT on imported goods is paid before or during the customs formalities.

The Article 71 of the Tax Code describes the list of VAT exemptions. According to the Decree of the President of the Republic of Uzbekistan of 19 January 1998, technological equipment brought to the Republic of Uzbekistan is exempt from VAT, if it is:

- intended for the priority projects of the 1998 investment programme;
- intended for implementation of investment projects financed by means of foreign loans guaranteed by the Government;
- intended for the enterprises which are in the process of construction or rehabilitation or are specialised in the consumer goods production;
- brought by foreign investors as their contribution to the statutory capital of enterprises with foreign investment.

(ii) *Excise tax*

Pursuant to the Article 82 of the Tax Code, the list of goods subject to the excise tax and the rates of the excise tax are established by the Cabinet of Ministers of the Republic of Uzbekistan.

The rates and list of goods subject to the excise tax on import, export and domestic production are set forth in Annex 9 to this Memorandum.

For imported goods that are subject to the excise tax, the latter shall be rated from the customs value determined in conformity with the customs legislation.

Excise taxes on imported goods should be paid before or during the customs formalities.

(l) *Rules of origin*

The Articles 24-31 of the Republic Uzbekistan Law "On the Customs Tariff" of 29 August 1997 establish the rules of goods origin. The aforementioned rules comply on the whole with the rules of goods origin introduced by the GATT Agreement about the Rules of Origin.

The Law "On the Customs Tariff" introduced the rules of goods origin that are based on international standards in respect of two main categories of goods: (i) the goods produced entirely in one country and only such a country may be considered in determining the origin; or (ii) the goods that have undergone a "sufficient processing", or the goods manufactured, processed or assembled in one country while some of the used components were from at least another country.

The first category covers mainly natural products, such as live animals, plants, minerals, etc., whereas the second category includes the goods manufactured in one country with the help of some component from abroad.

In the latter case, the criteria of a "sufficient level of processing" of goods are applied in order to determine a country of origin, such as:

- whether a commodity position (classification of the code of goods according to the Commodity Nomenclature of Foreign Economic Activities) modified on the level of any of the 4 first digits was a result of goods processing (or of component or components brought from abroad for the production of final goods);
- whether the manufacturing or technological operations were sufficient or not sufficient for the goods to be considered originating from that country were such operations were made; or
- the rule of a share of *ad valorem* - modification of the value of goods (whether a significant share of value was added to the value of final goods in the country of production).

In order to confirm the origin of goods, the customs authorities of Uzbekistan require presentation of the internationally recognised certificate of origin.

(m) *Anti-dumping regime*

The Law "On the Customs Tariff" of 29 August 1997 (Article 9) allows to introduce anti-dumping duties on goods which are imported to the customs territory of Uzbekistan at lower prices than the prime cost of exporter's goods in the exporting country, should such importation be able to

bring a material damage or is fraught with damage to the domestic producers of similar or competitive goods, or should it create some impediments for the establishment or expansion of the production of similar goods in the Republic of Uzbekistan.

The introduction of anti-dumping duties should be preceded by an investigation conducted by the initiative of the customs bodies, pursuant to the Law of the Republic of Uzbekistan. A decision about the introduction of antidumping duties should be based on data that is assessed in a quantitative way. The rates of relevant duties are established by the Cabinet of Ministers, based on the outcomes of investigation of every case. The rates should be determined proceeding from dumping prices and from the material damage discovered during investigation.

The Republic of Uzbekistan has not introduced yet any of such anti-dumping duties.

The Government of the Republic of Uzbekistan is currently drafting the Law "On Antidumping Duties" which will be developed according to the WTO rules.

(n) Countervailing duty regime

The Law "On the Customs Tariff" of 29 August 1997 (Article 10) provides for countervailing duties on the importation to the customs territory of Uzbekistan of the goods, the production or export of which, directly or indirectly, was linked with subsidies, should the importation of such goods be able to bring material damage or is fraught with a material damage to the domestic producers of similar or competitive goods, or should it create some impediments for the establishment or expansion of the production of similar goods in the Republic of Uzbekistan.

The procedural rules of introduction of countervailing duties are the same as for antidumping duties.

The Republic of Uzbekistan has not introduced yet any of such countervailing duties.

The Government of the Republic of Uzbekistan is drafting the Law "On Countervailing Duties" which will be developed according to the WTO rules.

(o) Safeguard measures

The Law "On the Customs Tariff" of 29 August 1997 (Article 8) provides for an introduction of special duties (safeguard measures). Such special duties are envisaged for the cases when goods are imported in such quantities and on such terms that they are capable of bringing damage or are fraught with material damage to the domestic producers of similar or competitive goods; or as a measure to respond to the discriminatory or other actions of other countries or their allies, if such measures concern the interests of the Republic of Uzbekistan.

The Government of the Republic of Uzbekistan is drafting the Law "On Safeguard Measures" which will be developed according to the WTO rules.

Retaliation.

The Law "On the Customs Tariff" of 29 August 1997 allows the introduction of special duties as a measure of retaliation against discriminatory actions taken by another country or alliance of countries against the Republic of Uzbekistan. In addition, the above-mentioned Law allows the introduction of retaliation duties to respond to other actions of a country or alliance of countries against the Republic of Uzbekistan.



The Republic of Uzbekistan has not introduced yet any of such duties.

## **2. Export Regulations**

### **(a) Registration requirements for export operations**

In order to engage in foreign trade or other foreign economic activities, an enterprise (organisation) after its state registration and inclusion into the State Register of Enterprises should be registered by the Ministry of Foreign Economic Relations (MFER).

Any legal entity, except non-commercial organisations, may be registered by MFER as a participant of foreign economic relations. The registration and inclusion of enterprises into the Register of the Participants of Foreign Economic Relations requires a personal appearance of the applicant:

For enterprises with foreign investment, the period for registration as a participant of foreign economic relations by MFER is three operational days since the date of receipt of applicant's documents, for other organisations - 5 operational days.

An enterprise (organisation) is subject to renew annually its registration as a participant of foreign economic relations.

For registration as a participant of foreign economic relations a fee of five minimum wages is charged. As of June 1998 this fee was Sum 5 500 (about US\$60).

### **(b) Customs tariff nomenclature, types of duties, duty rates, weighted average rates**

Pursuant to the Presidential Decree No. UP-1871 of 10 October 1997 "On Additional Measures to Encourage the Export of Goods (Work, Services)," export customs duties on all types of goods (work, services) were abolished since 1 November 1997.

### **(c) Quantitative export restrictions, including prohibitions, quotas and licensing systems**

#### *(i) General description of the system. the scope of application and objectives*

Since 1 November 1997 licensing of and quotas for export of goods (work, services) is abolished, with a small number of exceptions (see below).

### **(d) Export licensing procedures**

Pursuant to the Presidential Decree 10 October 1997 "On Additional Measures to Provide Incentives for the Export of Goods (Works, Services)," export licensing requirements for goods (work, services) were abolished since 1 November 1997, except of specific goods listed in Table IV-4.

Table IV-4: List of specific goods, the export and import of which requires  
licenses from the Ministry of Foreign Economic Relations, based on the Instructions  
of the Cabinet of Ministers of the Republic of Uzbekistan

Brief Description of Goods	Code, according to the Trade Nomenclature of Foreign Economic Activities
Weapons and military ammunition, special components for their production	8526 (only for military purposes), 8710, 8802 (except 8802 11 100, 8802 12 100, 8802 20 100, 8802 30 100, 8802 40 100), 8803 100 (except 8803 10 100, 8803 20 100, 8803 30 100, 8803 90 910), 8805 (except 8805 20 100), 8906 00 100, 9013 10, 9013 20, 9013 80, 9014, 9301, 9302, 9305 (only for combat arms), 9306 (except 9306 10, 9306 29 100, 9306 29 200, 9306 29 400, 9306 30 910, 9306 30 930).
Precious metals, alloys, articles thereof, ores, concentrates, scrap and waste of precious metals, precious natural stones and articles thereof, waste thereof, powders and recuperator of precious natural stones, pearls and articles thereof, amber and articles thereof.	2843, 3006 40 (only from precious metals), 7106-7115, 7118 (only from precious metals) 9003 19 100, 9021 29 100, 9101, 9111 10 000, 9113 10 000, 9608 10 300, 9608 39 100, 9705 (only coins from precious stones), 7116 (only from pearl and natural precious stones), 9602 (processed amber and articles thereof).
Uranium and other radioactive substances, articles thereof, waste of radioactive substances.	2612 (only uranium concentrates), 2844, 2845.
Devices and equipment employing radioactive substances	8401.

Annex 2 of the Cabinet of Ministers Resolution No. 137 dated March 31, 1998 sets forth the list of specific goods (work and services) the export and import of which is by the clearance of the authorised bodies of the Republic of Uzbekistan ( Table IV -5).

Table IV –5: List of specific goods (work and services) the export and import of which requires  
permissions of the Authorised Bodies of the Republic of Uzbekistan

No.	Brief Description	Organs Authorised to issue a permit
1.	Professional activities of citizens of the Republic of Uzbekistan working abroad and of foreign citizens working in the Republic of Uzbekistan	Ministry of Labour
2.	Imports of films, videos and audio productions.	Ministry of Culture
3.	Export of scientific (research) works, know-how, inventions	State Committee for Science and Technology
4.	Investment abroad	MFER
5.	International transportation	MFER
6.	Exports of the work of arts	Ministry of Culture
7.	Exports of animals and plants entered in the Red Book of the Republic of Uzbekistan	State Committee for Nature Protection

(i) *Prohibitions.*

Annex No. 6 to the Presidential Decree No. UP-1871 of 10 October 1997 set forth the list of articles prohibited for transit through the territory of the Republic of Uzbekistan. This list includes (1) weapons, ammunition and military equipment; (2) aircraft, their parts, devices and equipment (3) machine tools and machinery for the manufacture of weapons, ammunitions and aircraft; (4) explosive agents; (5) strong poisons; and (6) articles banned for importation to the Republic of Uzbekistan. The transit of the above-listed articles might be allowed by the clearance for transit issued by MFER, upon co-ordination with the Cabinet of Ministers of the Republic of Uzbekistan. In accordance to Cabinet of Ministers' Resolution # 213 dated May 15, 1998 transit through the territory of the Republic of Uzbekistan of ethylic alcohol is prohibited.

Annex No. 4 to the Presidential Decree No. UP-1871 of 10 October 1997 set forth the list of goods and products the export of which is prohibited. This list is set forth in Table 1 of Annex 11 to this Memorandum.

Export licensing procedures for the above-mentioned specific goods are similar to import licensing procedures set forth in Annex 3 of this Memorandum.

(e) Other measures, e.g. minimum export prices, voluntary export restrictions, orderly marketing arrangements

(i) *Minimum export prices*

The Republic of Uzbekistan has no system of minimum export prices. However, export contracts for raw materials (such as cotton, and ferrous and non-ferrous metals) are subject to a price expertise by MFER in order to check the compliance of export prices with world prices.

(ii) *Excise tax on exports.*

Certain goods are subject to the excise tax when exported from the Republic of Uzbekistan. The list of such goods and the applicable rates are contained in Annex 9 to this Memorandum.

Pursuant to the Article 80 of the Tax Code (in effect from 1 January 1998) the export of goods subject to the excise is not imposed by the excise tax, except in cases when goods (work, services) are sold to the states which apply a regime of imposition of the excise tax in respect of the export of goods (work, services ) to the Republic of Uzbekistan.

(f) Export financing, subsidy and promotion policies

Pursuant to the Presidential Decree of 18 February 1997, the National Insurance Company "Uzbekinvest," set up in April 1994, was transformed as a national company of export-import insurance, including the insurance of export credits. According to Paragraph 2 of this Decree, the main objectives of Uzbekinvest are (i) insurance against political or commercial risks of domestic exporters, and (ii) guarantees to export creditors. The Decree also specifies that the guarantor of obligations of Uzbekistan is the Ministry of Finance.

Under the new Tax Code, the newly created manufacturing enterprises with a foreign participation which produce export-orientated and import-substituting goods are temporarily exempt from income (profit) tax:

- for five years since the beginning of production, if more than 25 per cent of output are goods for children. Afterwards the applicable rate is half the effective one; and

- for two years since the beginning of production, if the share of foreign capital in the statutory funds of a company is 50 per cent and more.

A zero rate of VAT is imposed for the export of goods (work and services), except in cases when goods (work, services) are sold to the states which apply a regime of imposition of this tax in respect of the export of goods (work, services) to the Republic of Uzbekistan.<sup>6</sup>

According to the Tax Code, the export of goods subject to excise is not imposed by the excise tax, except the cases when goods (work, services) are sold to the states which apply a regime of imposition of the excise tax in respect of the export of goods (work, services) to the Republic of Uzbekistan.

Pursuant to the Presidential Decree No.UP-1871 of 10 October 1997 "On Additional Measures for Providing Incentives for the Export of Goods (Work and Services)", the following privileges and preferences were provided to enterprises exporting goods (work, services) of their own production for a freely convertible currency since November 1, 1997:

- the right to export goods of their own production without an advance payment or an opening of a letter of credit, under a guarantee of an authorised bank and in compliance with the period of receipt of proceeds in foreign exchange specified by the existing law;
- in cases when the share of exported goods is 30 per cent or more of total sales, the rate of profit tax is half the existing one;
- January 1, 1998 and onwards, enterprises exporting goods of their own production to CIS countries for a freely convertible currency are exempt from excise and value added taxes, if otherwise has not been provided for by international agreements.

The stated privileges and preferences do not cover trade and intermediary organisations nor manufacturing enterprises that export raw materials (see Annex 11 to this Memorandum).

(g) Export performance requirements

The Republic of Uzbekistan has no special export performance requirements. However, it has some programmes of export promotion (see Sections 3.d, 3.f. and 3.g. of this Part IV and Section 2.b of Part II).

(h) Import duty drawback schemes

Under the new Customs Code of the Republic of Uzbekistan, drawback of the paid import customs duties may be granted in respect of goods imported for processing. For drawback of the duties, the goods should be processed within a specified time, and the processed goods should be exported within two years from the date of importation of their relevant components.

The Customs Code also envisages an opportunity to obtain an exemption from duties and taxes on those goods that were declared as the goods for re-export, provided that such goods will be actually re-exported within six months from their importation. If the goods have not been re-exported within six months, they will be subject to duties, taxes and interest. The drawback of duties and taxes may be granted if (1) the goods are re-exported on the same terms as when imported, (2) re-export is within two years after importation, and (3) re-exported goods have not been used for obtaining income.

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<sup>6</sup> i.e. CIS countries.

### **3. Internal policies affecting foreign trade in goods**

#### **(a) Industrial policy**

The mid-term programme of structural adjustments of industry for 1996-2000 envisages the following major objectives:

- to support efficient and competitive producers , liquidating gradually the obsolete production in both state and private sectors;
- to ensure an efficient use of resources, to maintain the most valuable components of the scientific and technical potential, and to overcome structural distortions;
- to facilitate enterprises to adjust to the requirements of the market economy; and
- to have a targeted development of the foreign economic relations.

The critical factor of the structural policy for 1996-2000 will be to provide a state support to the most efficient production, to reorganise and re-orient inefficient enterprises and excessive capacities both in the state and private sectors, to carry out a technological rehabilitation of all industries, to introduce vigorously resource-efficient technologies providing to improve the quality of goods and thus - to raise their competitiveness.

The Government has devised a general policy and strategy for the creation of a wide-scale market economy, attraction of foreign investment, technology in all economic sectors in order to advance to a wide-scale market economy and privatisation of state enterprises.

#### **(b) Technical norms and standards, including the measures applied at the border with a respect of import (see Annex 5 to this memorandum)**

Standards and requirements of certification in the Republic of Uzbekistan are not intended for creating technical barriers to the trade.

These standards and requirements of certification are aimed at (i) ensuring the safety and/or quality of goods, work and services, (ii) protecting the environment and health, life, work and property of citizens, and also ensuring the safety of labour conditions, (iii) ensuring the uniformity of quantitative measurement, technological compatibility and inter-changeability of products, and (iv) preservation of all types of resources.

Annex 5 to this Memorandum provides a detailed description of the law and procedures related to the technological provisions, standards and requirements of certification.

#### **(c) Sanitary and phytosanitary measures, including the measures in respect of imports**

The policy of the Government of Uzbekistan on developing and maintaining sanitary standards is aimed at protecting the life and health of people, animals and plants, and not at creating technical barriers to foreign goods, nor protecting domestic producers.

Based on the Law "On the State Sanitary Control" of 3 July 1992, the Ministry of Health undertakes hygienic certification and expertise of many imported consumer goods (food, raw materials, medicines, chemicals and minerals). The aforementioned goods should meet medical and biological standards No. 0065-96. In case of non-compliance with these standards, the goods are prohibited for importation to the Republic of Uzbekistan and use therein.

The organisation and implementation of the veterinary control measures are pursuant to the Law of the Republic of Uzbekistan "On Veterinary" of 3 September 1993 (on account of modifications and amendments as of 6 May 1995 and 25 April 1997) and other legislative acts passed on the basis of it.

The legislation on veterinary defines the main objectives of the veterinary service, the system of its management, the authority of the state veterinary inspectors, the rights and duties of the owners of livestock and livestock products, the procedures of imposing or lifting a quarantine in case of contagious disease of livestock, and other organisational and legal issues related to the veterinary service.

The State Veterinary Department of the Ministry of Agriculture and Water Resources manages the network of veterinary services. Its divisions regulate the cross-border and internal transportation of animals.

The State Veterinary Department makes an assessment of epizootic situation in the Republic of Uzbekistan and exercises control over the protection of the territory of the Republic of Uzbekistan from the penetration of infectious diseases of animals from abroad, by means of adopting relevant measures of control over the procurement, transportation, export and import of livestock and its products, fodder, fodder additions and other means applied in agriculture. This service requires legal and physical persons of the Republic of Uzbekistan to apply measures for the prevention and elimination of transmittable disease and for the spreading of information required for defining an epizootic condition of animals.

No restrictions on imports of meat and meat products exist. However, since 3 April 1996 a temporary prohibition on the import of meat, milk products and live animals from the United Kingdom is in effect because of a discovered disease of cattle. The importation of meat and milk products from other countries is allowed subject to the availability of a certificate of goods' origin.

The State Inspection for Plant Quarantine under the Ministry of Agriculture and Water Resources exercises control over the import and export of plants and implements a uniform state quarantine control over plants. The State Inspection arranges its work, proceeding from the requirements of plant quarantine, which provides for an application of different governmental, social and other measures in respect of plant protection and prevention of the spreading of their disease.

(d) Trade-related investment measures

The Republic of Uzbekistan applies no trade-related investment measures (TRIM) that would be inconsistent with the provisions of paragraph 4 of Article III or paragraph 1 of Article XI of GATT 1994.

This was determined in the light of the illustrative list of inconsistencies with TRIMs attached in Annex to the Agreement on Trade-Related Investment Measures.

(e) State-trading practices (See Annex 6 to this memorandum)

The Republic of Uzbekistan has largely dismantled the system of the state trade inherited from the Soviet Union.

The following items still remain to some degree to be objects of the state foreign trade: cotton, grain, ferrous and non-ferrous metals, oil, natural gas, and coal. The regime of trade in such goods is described in Annex 6 to this Memorandum.

(f) Free zones

The Law of the Republic of Uzbekistan "On Free Economic Areas" of 25 April 1996 envisages the creation of free trade areas, which may consist of consignment warehouses, free customs areas and the areas of goods processing, packaging, sorting and storage. However, no such areas have been created yet.

The Customs Code has provisions on the creation of free customs areas and free warehouses. Both in free customs areas and in free warehouses, it is envisaged to conduct production and all other commercial operations, except the retail trade. Customs duties and taxes on the goods brought to such areas and warehouses or from them are not levied, nor the economic restrictions applied, until the goods enter the customs territory of Uzbekistan.

(g) Free economic areas

The Law "On Free Economic Areas" of 25 April 1996 envisages the creation of free economic areas. However, no such areas have been created yet.

(h) Trade-related environmental policies

The State Committee of Nature Protection is a state body authorised to implement the environmental control and to make an efficient use of natural resources of the Republic of Uzbekistan.

Pursuant to the Article 89 of the Code of the Administrative Responsibility of the Republic of Uzbekistan adopted on September 22, 1994, the bodies of the State Committee for Nature Protection are responsible for the control over the enforcement of the rules of transportation, storage and application of plant protection measures, plant stimulators, mineral fertiliser and other chemicals and preparations that are capable of causing a contamination of soil, water or atmospheric air or destroying flora and fauna.

(i) Special regulations related to the mixing of component of different goods, depending on the source of their origin

The Republic of Uzbekistan has no mixing requirements or regulations. It has no local content requirements either.

(j) Government-mandated counter-trade and barter

The Republic of Uzbekistan has no system of government-mandated counter-trade and barter.

Counter-trade and barter arrangements are allowed in Uzbekistan on particular terms.

Every barter-based contract must provide, first of all, a delivery of imported goods or bank guarantee for the goods exported from Uzbekistan, and also must have a provision on the sale of a part of freely convertible currency to be received upon a completion of transaction on the over-the-counter currency market of the Republic of Uzbekistan. However, barter transactions are rare in reality, mainly only for state needs.

(k) Trade agreements leading to country-specific quota allocation

Except some quantitative restrictions provided in the Agreement on Trade in Textile and Clothing with the European Union (See Section 5.a of this Part IV below), the Republic of Uzbekistan has no trade agreements containing provisions that would require or lead to a country-specific quota allocation

- (l) Government procurement practices, including a general legal regime and procedures of applications linked with tenders and award of contracts

Pursuant to the Cabinet of Ministers Resolution No. 397 of 14 August 1997, "On the Improvement of the System of Procurement of Basic Foodstuffs for the State Needs," the Ministry of Finance, proceeding from an estimated demand (population, consumption standards and an average weighted market prices), determines the upper limits of funding the procurements of each type of foodstuffs for the next year and directly informs relevant ministries, departments, the Council of Ministers of the Republic of Karakalpakstan, khokimiyats of regions and of Tashkent City.

The procurement of basic foodstuffs for the state needs is, as a rule, on the basis of competitive tendering.

Such procurement is conducted by means of direct contracts with the domestic goods producers or by the purchase of goods at fairs or bidding arranged the Republic Joint-Stock Association for Wholesale and Commodity Exchange, "Uzulgurjibirjasavdo." The contracts may be signed in such a case, upon receiving a consent (regarding prices) of the Ministry of Finance or of its local bodies.

Import procurements are only on the basis of tenders. Tenders are conducted according to the procedure established by the Cabinet of Ministers.

For a pre-qualification selection and tender bidding on the republican level, there was established the Republic Commission for Coordination of Tenders for the Procurement of Main Foodstuffs for the State Needs.

The main agency responsible for the arrangement of tender bidding, including a pre-qualification selection of suppliers and an expert assessment of tenders, is the Agency for Tenders ("Uzbektenderconsulting"), a special self-supporting division under MFER.

Proceeding from the applications of customers approved by the Ministry of Finance, "Uzbektenderconsulting" announces tenders in mass media, not later than 20 days before the date of bidding. Instructions for the preparation and submission of bids, basic terms of procurement contract, the list of documents to be provided by suppliers and other tender documents are provided to every organisation that wishes to bid, irrespective of its form of ownership, for a fee, charged according to the tariffs established by the Republican Commission.

Pursuant to clause 10 of the Cabinet of Ministers Resolution No. 397, the Law of the Republic of Uzbekistan "On State Procurements" has been drafted.

- (m) Regulation of trade in transit

Transit goods should be declared to the customs authorities of Uzbekistan upon arrival, and after release they may be moved within the customs territory of the Republic of Uzbekistan only along the routes determined by the customs bodies. No duties or taxes are charged in respect of transit goods.

When goods are classified as "transit," they must remain in an unchanged condition, except of a natural depreciation and must not be used for any economic purposes. Such goods must be transported to the point of their customs destination, along the routes established by the customs service of Uzbekistan.



If the goods have not been presented to the customs service of Uzbekistan when released, the carrier will be responsible for the payment of all duties and taxes accrued because of the goods release in a free circulation (and a possible imposition of an administrative penalty on the carrier), unless it has been proved that the goods were imported, or destroyed, or lost due to an accident or a force major.

Annex 6 to the Presidential Decree No. UP-1871 of 10 October 1997 "On Additional Measures to Encourage the Export of Goods (Work and Services)" specifies the list of goods prohibited for transit through the territory of the Republic of Uzbekistan (See Section 2 of the this Part IV). However, the transit of prohibited goods may be undertaken with a permission of MFER and on approval of the Cabinet of Ministers of the Republic of Uzbekistan. Pursuant to the Resolution of the Cabinet of Ministers No 213 of 15 May 1998, the ethylic alcohol is prohibited for transit through the customs territory of the Republic of Uzbekistan.

In respect of goods subject to excise which are moved through the customs territory of the Republic of Uzbekistan, the customs payment should be made onto a deposit account of the State Customs Committee. When such goods are taken from the territory of the Republic of Uzbekistan, the payment made is returned to the payer. The transit of alcohol and tobacco should have a customs escort through the territory of the Republic of Uzbekistan with the payment of ECU 200.

#### **4. Policies affecting the foreign trade in agricultural goods**

(a) Imports, including a detailed description of cross-border restrictive measures: customs duties and/or any other such restrictive measures

The importation of agricultural products is not licensed. The enterprises that want to import foreign agricultural goods to Uzbekistan for the purpose of sale must be registered as participants of foreign economic activities by MFER on the same grounds as the importers of other goods (See Section 2.c of Part II and Section 1 of this Part IV).

As it is pointed out in Annex 5 to this Memorandum, a broad range of agricultural goods and foodstuffs specified in the Cabinet of Ministers Resolution No. 409 of 12 August 1994 "On Approval of the List of Goods Subject to the Compulsory Certification, Procedures of Certification and Carrying Goods that Need Certification of Their Safety into the Territory of the Republic of Uzbekistan and out of It" may be allowed by the customs bodies for importation to Uzbekistan only upon a presentation of the certificate issued by an authorised body to confirm the conformity of the goods with applicable standards or technological requirements. Imported food and agricultural goods are subject to import duties, at the rate of 3 to 30 per cent.

(b) Exports, including a detailed description, budgetary expenditure and any privileges in respect of all export subsidy measures

As noted in Section 2.f of this Part IV, Uzbekistan extends some privileges and tax exemptions for manufacturing enterprises with the foreign investment which export goods of their own production.

Exportation of some agricultural goods is made through the state and joint-stock companies described in Annex 6 to this Memorandum.

(c) Export prohibitions and restrictions

See description in Section 2.c of this Part IV.

(d) Export credits, export credit guarantees or insurance programmes

See section 2.f of this Part IV.

- (e) Domestic policies, including a description, budgetary expenditure and any revenue foregone involved in each of the domestic support measures

The main aim of governmental policies in agriculture is to ensure the stability and growth of agricultural supplies to the domestic market. Pursuant to its policy, Government is undertaking a diversification of agricultural production. However, the Government has no intention of providing a direct financial support to the agricultural sector. The policy of reforms in the agricultural sector is aimed at eliminating in the near future the payment to enterprises of this sector and farmers that is made within the framework of the direct state financial support.

## **5. Policies affecting foreign trade in other sectors**

- (a) Textiles regime

Imported textile goods are subject to customs duties, at the rate of 3 to 30 per cent.

Textile companies of the Republic of Uzbekistan process 150,000 tons of raw cotton and produce 124,200 tons of yarn, 550 million meters of fabrics and non-woven materials, medicinal and special types of cotton wool. They also make silk threads, fabrics and a wide range of clothing and carpets.

The Republic of Uzbekistan and the European Union initialled the Agreement on Trade in Textile Goods and Clothing (the "EU Textile Agreement") on June 9, 1993 that introduced a quota for textile goods originating in Uzbekistan and intended for export to the EU. The Agreement was effective from 1993 to 1995. Pursuant to this Agreement, the EU instituted a quota for the trade in cotton fabrics with Uzbekistan. This quota was 2,861 tons in 1995. This quota limited the export opportunities of the Republic of Uzbekistan.

In December 1995, a new Agreement was signed providing the following quotas for textile to Uzbekistan: in 1996 - 6,400 tons; in 1997 - 6,624 tons; in 1998 - 6,856 tons; in 1999 - 7,096 tons.

The contracts for the export of textile goods to the EU that are subject to quotas pursuant to the Agreement in Trade in Textile and Clothing with the EU countries must be registered by MFER, as required by the Cabinet of Ministers Resolution No. 343 of 28 August 1995. The period of validity of the Agreement in Trade in Textile and Clothing with the EU countries expires on 31 December 1998 (the Agreement will be extended by 31 December 1999).

- (b) Policies affecting the foreign trade in other major sectors

The Republic of Uzbekistan pursues the policy of export promotion which, on the whole, affects the foreign trade. The main goods which this policy is focused on are oil, consumer goods.

## **V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME**

### **1. General**

- (a) Intellectual property policy

Since the country's independence the Government of the Republic of Uzbekistan has pursued a policy of establishing an intellectual property protection regime that is modelled on the systems of countries with developed market economies. To that end, the Republic of Uzbekistan has added

provisions on the protection of intellectual property to the Civil Code and has enacted normative acts regulating its intellectual property regime.

The process of transforming the state intellectual property system into a private system has nearly been completed in the Republic of Uzbekistan. The Republic of Uzbekistan is also developing and tailoring its national legislation in order to prepare for accession to the major international intellectual property conventions. Among the Government's top priorities is the protection of the rights of foreign nationals, Uzbek citizens and stateless persons in compliance with norms observed by the world community.

As a general rule, the Uzbek system of enforcement of intellectual property rights is divided into three sub-systems:

- the establishment of a legal basis for the protection of intellectual property rights;
- the establishment of a sub-system of enforcement agencies within the executive authority to ensure the protection of intellectual property rights; and
- the establishment of a sub-system for judicial protection of intellectual property rights.

The fundamental bases, required for the establishment of an effective system of protection of intellectual property rights are found in the Constitution of the Republic of Uzbekistan: Article 11 (separation of powers), Article 23 (safeguards for the rights and liberties of foreign nationals and stateless persons), Article 36 (property rights), Article 42 (freedom of scientific and technical creation), Article 44 (legal protection of rights and liberties), and Article 53 (guarantees of the inviolability of property) and also in appropriate international agreements.

At present, protection for almost all objects of intellectual property has been established in the Republic of Uzbekistan.

(b) Agencies responsible for the development of the intellectual property rights policy and its implementation (competent bodies)

Responsibility for policy-making and the enforcement of intellectual property rights protection in the Republic of Uzbekistan is divided between two governmental agencies.

The Uzbek Agency for Copyright under the Cabinet of Ministers provides protection for copyright and related rights. The State Patent Agency of the State Committee for Science and Technology of the Republic of Uzbekistan is responsible for the protection of patent rights and rights to inventions, utility models, industrial designs, trademarks, geographical indications of origin, selection achievements, computer software and databases.

In addition, the State Anti-Monopoly Organisation is responsible for drafting and proposing laws prohibiting unfair competition including the unauthorised use of trademarks, packaging, undisclosed and confidential business information and also prevention of new participants from entering the markets for goods and services.

The State Customs Committee being, in accordance with the applicable legislation, a legal protection agency, participates in the customs policy development and its realisation, provides observance of the customs legislation, takes arrangements on the protection of legal entities and physical persons rights and interests, stops illegal transference of objects of artistic, historical, archaeological property of the peoples of the Republic of Uzbekistan, objects of intellectual property, animals breeds and varieties of plants, which are under the threat of disappearance through the

customs border of the Republic of Uzbekistan, and also carries out the other functions, pursuant to its main tasks.

(c) Membership in international intellectual property conventions.

In May 1993 the President of the Republic of Uzbekistan signed a Declaration indicating the Republic's intention to join the Convention on the Foundation of the World Intellectual Property Organisation (WIPO), the Paris Convention for the Protection of Industrial Property, and the Patent Co-operation Treaty (PCT). On 18 August 1993 WIPO confirmed that the Republic of Uzbekistan had been granted membership of these conventions. The Republic of Uzbekistan is also a member of the Madrid Treaty on International Registration of Trademarks.

Currently, the Government is considering whether to join the Budapest Treaty on International Recognition of Depositing Micro-organisms for the Purposes of Patent Procedures, the Strasbourg Convention on International Patent Qualification, and the Nice Convention on International Qualification of Goods and Services for Registration of Marks. Moreover, the Republic of Uzbekistan intends to sign the Protocol to the Madrid Treaty on International registration of marks and plans to join the Convention on the Protection of New Varieties of Plants administered by the International Union for the Protection of New Varieties of Plants (UPOV), and the Treaty on Intellectual Property in Respect of Integrated Circuits (the Washington Treaty).

The Republic of Uzbekistan has signed the Intergovernmental Agreement on co-operation in suppressing violations of law in the field of intellectual property on the territory of the states-participants of CIS and has entered into bilateral agreements providing for protection and co-operation in the field of industrial property with the Russian Federation (27 June 1995), the Republic of Georgia (28 May 1996), the Kyrgyz Republic (24 December 1996), the Republic of Kazakhstan (2 June 1997), the Republic of Azerbaijan (18 June 1997), and for co-operation in the field of intellectual property protection with the Ukraine (19 February 1998), and also with the Republic of Turkey (13 April 1998)

(d) Application of national and MFN treatment to foreign nationals.

The generally the policy of the Republic of Uzbekistan lies in granting within its territory the same rights enjoyed by the citizens of the Republic to foreign nationals, stateless persons, and foreign legal entities. There are specific national treatment provisions in the Civil Code (Section IV, Article 7); in the law "On Inventions, Utility Models and Industrial Designs" (Article 42); the law "On Trademarks and Service Marks" (Article 33); the law "On Legal Protection of Computer Programs and Databases" (Article 9); and the law "On Plant Varieties Protection" (Article 2).

However, there are a few exceptions to the general "national treatment" policy. First, foreign persons, foreign entities and stateless persons must conduct registration and other legally significant activity through registered local patent attorneys. Second, foreign persons, foreign entities and stateless persons are charged higher dues and registration fees for objects of intellectual property than those imposed on CIS nationals and entities. Third, lower dues and registration fees are applied to certain categories of Uzbek citizens (namely, veterans of the Second World War, students and invalids).<sup>3</sup>

Pursuant to the Law, adopted by the Oliy Majlis of the Republic of Uzbekistan "On foreign Investments", specifying the legal basis and the order of attracting and rational use on the territory of the Republic of Uzbekistan of foreign financial, material and intellectual resources, modern technologies and managerial experience, all kinds of material and non-material goods and all rights to

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<sup>3</sup> Other dues and registration fees are being worked out in accordance with the TRIPS Agreement.

them, including rights to intellectual property are recognised as foreign investments (Article 3). Royalty, license and other fees and payments, made by foreign investors as reinvestments in the objects of business and other types of activity are also recognised as foreign investments. Parallel with the other forms of effecting foreign investments, foreign investors may effect investments through acquiring the rights to intellectual property, including copyrights, inventions, utility models and industrial designs, trademarks, brand names and know-how, and also good-will (Article 5). In accordance with Article 9 the State under its investment activity ensures and protects all rights and interests of investors. The investors on their own may decide to patent abroad and in the Republic of Uzbekistan inventions, utility models and industrial designs, belonging to them, which result from the investment activity in the Republic (Article 10). The legal protection and use of objects of intellectual property by enterprises, based on foreign investments, is governed by the national legislation (Article 12).

In accordance with the Law "On guarantees and measures of foreign investors rights protection", the foreign investments and other assets of foreign investors are not subject to nationalisation and requisition (Article 5), use and transfer of fund (Articles 6 and 7), and also reimbursement of foreign investments in connection with termination of the investment activity is guaranteed (Article 8).

(e) Fees and taxes.

Registration and maintenance charges are imposed for applications; for examinations of patents, utility models, industrial designs, selection achievements, and trademarks; and for registration extensions for industrial designs, utility models, selection achievements and trademarks. Charges are also imposed for registration of computer software and databases. These charges are summarised in the following tables:

Table V-1: Fees for Patenting Inventions and Industrial Designs and for Certifying Utility Models

Name of Action or Procedure	Fees For Citizens (in minimum monthly salaries)	Fees For Foreigners (in US\$)
Filing an application for an invention, industrial design or utility model	0.5	300
Preliminary expert examination of a patent application for an invention or industrial design	1.0	300
Required expert examination of a patent application for an invention or an industrial design	1.5	900
Registration, publication and issuance of a patent or preliminary patent for an invention or industrial design, or a certificate for a utility model	2.0	1,200
Filing with the Appeals Council an objection to a decision rejecting an application for a preliminary patent or certificate when such rejection occurred during formal expert examination	0.5	300
Filing with the Appeals Council an objection to a decision rejecting an application for a patent or certificate when such rejection occurred during the general expert examination of an application	1.0	600

Name of Action or Procedure	Fees For Citizens (in minimum monthly salaries)	Fees For Foreigners (in US\$)
Filing with the Appeals Council an objection to the issuance of a patent, preliminary patent or certificate	1.0	600
Fee for registering a licensing agreement	1.0	300
Fee for registering an agreement on the transfer of a patent, preliminary patent or certificate	1.5	450

Table V-2: Fees for Registration of Trade Marks and Service Marks

Name of Actions and Procedures	Fees For citizens (in minimum monthly salaries)	Fees For Foreigners (in US\$)
Filing an application for a trade mark or service mark and the expert examination of such an application	1.0	600
Filing with the Appeals Council an objection to a decision rejecting a trade mark or service mark registration application	1.0	600
Registration, publication and issuance of a mark certificate	1.0	600
Registration of licensing agreement	1.0	300
Registration of an agreement on the transfer of a mark	0.75	225

Table V-3: Maintenance Fees for an Invention Patent

Years (from the date of registration)	Fees For Citizens (in minimum monthly salaries)	Fees For Foreigners (in US\$)
1-3	1.0	600
4-7	2.0	1200
8-11	3.0	1800

Table V-4: Maintenance Fees for an Industrial Design Patent

Years (from the date of registration)	Fees For Citizens (in minimum monthly salaries)	Fees For Foreigners (in US\$)
3	0.5	300
4-7 (annually)	0.75	450
8-10 (annually)	1.0	600

Table V-5: Maintenance Fees for a Preliminary Patent for an Invention or Industrial Design, or Preliminary Certificate for a Utility Model Certificate

Years (from the date of registration)	Fees For Citizens (in minimum monthly salaries)	Fees For Foreigners (in US\$)
1	1.0	600
2	1.0	600
3	1.0	600
4	1.0	600
5	1.0	600

Table V-6: Fees for Official Registration of Software and Database and Agreements on Transfer of Property Rights

Name of Actions and Procedures	Fees For Citizens (in minimum monthly salaries)	Fees For Foreigners (in US\$)
Filing an application for the official registration of software or a database	0.5	60
Registration, publication and issuance of a certificate of registration for software or database	1.0	120
Registration of an agreement transferring all property rights to registered software or database	1.5	180
Registration of an agreement transferring property rights to software and database	1.0	120

The Tax Code contains provisions governing the taxation of the income from the use of objects of industrial property. Under Articles 31 and 58 of the Tax Code, both the income of patent-holders/licensors and that of patent licensees derived from the use of industrial property are exempt from taxation for variable periods of time:

Patent on an Invention or Selection Achievement:	5 years
Preliminary Patent on an Invention or certificate Selection Achievement:	3 years
Patent on Industrial Design:	3 years
Preliminary Patent on Industrial Design:	2 years
Certificate for Utility Model (licensee):	2 years
Certificate for a trademark (licensee):	1 year

Upon the expiration of these tax holidays, the concerned income is subject to the normal rules of taxation. Pursuant to Article 19 of the Tax Code, expenses for acquisition of intellectual property are subject to deduction from the aggregate income during the following period as amortisation.

In addition to the foregoing tax exemptions, patent duties, registration fees and licensing payments for acquiring rights in or to intellectual property are exempt from value-added tax (Article 71 of the Tax Code).

## **2. Substantive standards of protection, including procedures for the acquisition and maintenance of intellectual property rights.**

General standards of protection of intellectual property rights are set forth in Section IV (Articles 1031-1111) of the Civil Code, which was adopted on 29 August 1996 and became effective on 1 March 1997.

Article 1031 of the Civil Code defines "intellectual property" in compliance with Article 2(viii) of the Convention on the Foundation of the World Intellectual Property Organisation. Articles 1031-1040 set out general civil norms regulating the creation, transfer, assignment, terms, and means of protection of intellectual property exclusive rights. Pursuant to these articles, intellectual property rights arise from the creation of works of science, literature, art, inventions and other results of intellectual activity. Under Article 11 of the Civil Code, intellectual property rights may be enforced through acknowledgement of the owner's right, restoration of the *status quo*, self-protection initiated by the owner, indemnification, and/or termination or alteration of the infringer's rights.

Articles 1041-1081 of the Civil Code generally provide for a copyright and neighbouring rights regime in the Republic of Uzbekistan. Article 1042 provides that literary, musical, audio and visual works, paintings, sculptures, architectural works, computer software and other works are objects of copyright and neighbouring rights. Articles 1046 and 1052 recognise the exclusive right of a citizen to the objectively-expressed results of his intellectual effort, performed works, or services provided.

Articles 1082-1090 cover rights to industrial property (inventions, utility models and industrial designs). According to these articles, rights to objects of industrial property are protected by patents. The right to exploit an invention, utility model or industrial design belongs to the patent-holder or his legal successor.

Articles 1091-1094 provide rights in or to new plant varieties and new animal breeds ("selectionist" rights).

Articles 1095-1097 provide legal protection for undisclosed commercial information and know-how. Under these articles, there is a right protecting undisclosed information against illegal use, without the observance of any formalities. Any person or entity that illegally disseminates undisclosed information is obliged to indemnify the owner for the actual losses resulting from such disclosure.

Articles 1098-1101 set out rules for the protection of firm names. Articles 1102-1107 provide for the protection of trademarks and service marks. Articles 1108-1111 set forth rules for the protection of appellations of origin. These articles of the Civil Code contain common principles with respect to the rights of an economic participant to the means used to individualise his goods, works or services. Provisions of these articles are to be further developed in specific laws. (At present, the law "On Trademarks and Service Marks" has been adopted and enacted).



In summary, the foregoing provisions of the Civil Code reflect the general policies pursued by the Republic of Uzbekistan in the area of intellectual property protection.

Finally, additional protection of intellectual property rights is also provided in the law "On Competition and Restriction of Monopolistic Activities in the Market for Goods." Article 8 prohibits "unfair competition," which includes the unauthorised exploitation of trademarks, brand names or specific markings of goods or the unauthorised duplication of the form, packaging or other external appearance of goods.

(a) Copyright and related rights, including rights of performers, producers of phonograms and broadcasting organisations.

The law "On Copyright and Neighbouring Rights" governs standards of protection, acquisition procedures and maintenance procedures for copyrights and neighbouring rights.

Under Article 5 of that law, rights of copyright apply to works of science, literature and art which arise as a result of creative effort, regardless of their purpose, value or means of expression. Copyright does not extend to ideas, concepts, principles, systems, proposed decisions, or to the discovery of objectively existing phenomena. There are no mandatory acquisition or maintenance procedures for rights of copyright. Copyright arises by virtue of the creation of an original work, without any formalities (procedures). Article 16 provides that a voluntary notice of copyright is permitted. Article 38 provides that copyright in a work is valid for the life of the author of the work plus 50 years.

Article 47 provides that neighbouring rights attach to performances, productions, audio and video recordings of a performer, and broadcasts of broadcasting and cable communications organisations. There are no formal acquisition or maintenance procedures. However, Article 49 provides that a voluntary notice of neighbouring rights is permitted. Articles 51, 56 and 58 provide that the term of protection for performers, producers of phonograms and broadcasting organisations is 50 years.

(b) Trademarks, including service marks.

Substantive standards for the protection of trademarks and service marks are based closely on strict observance and in accordance with the requirements of Article 15(1) of the TRIPS Agreement. Under Article 4 of the law "On Trademarks and Service Marks," in order to qualify for protection, a designation must serve to distinguish goods and services of physical and legal entities from similar goods and services of other physical and legal entities. Literary, graphic, volumetric or other markings and combinations thereof may be registered as trademarks, and trademarks may be registered in any colour or combination of colours.

Acquisition procedures for trademarks and service marks are set out in the law "On Trademarks and Service Marks." According to Article 3 of this law, protection of a trademark, service mark or collective mark arises on the basis of registration with the Patent Agency and the issuance of a registration certificate. Article 8 of the law requires that a registration application must relate only to one claimed mark and must include identifying information about the applicant, a sample of the claimed designation together with a written description thereof, and a list of the goods or services for which registration is requested, designated according to classes under the International Classification of Goods and Services for Registration of Marks. The application must also include a certification of payment of the required fees, and, if the application is submitted through a patent attorney, a document certifying the attorney's authorisation to act on the applicant's behalf.

For collective marks, there are additional requirements for acquisition of trademark protection. In addition to the requirements set out above, Article 9 specifies that an application for a collective mark must also contain the name of the association authorising the registration of the collective mark in its name, the purpose of registration of the mark, the list of subjects entitled to use this mark, the list, uniform quality or other common features of the goods which will be designated by the collective mark, the conditions on the use of the collective mark, and the manner in which the mark will be monitored.

Certain types of marks are not subject to registration and therefore are not eligible for protection. These include non-distinctive marks, marks which comprise official symbols and names, certain geographic names, and generic names. Commonly-used symbols, terms or designations of the type, quality, properties, purpose, or value of the goods, or the place and time of production and distribution are also ineligible for protection, although they may be included in a trademark as non-protected elements. Article 5 of the law states that falsified or misleading marks, and marks contradicting public interests, principles of humanity or morals may not be registered either as marks or as elements of marks. Furthermore, firm/trade designations are not subject to registration if they are identical or confusingly similar to marks or certification signs previously registered or filed in Uzbekistan for identical goods. Finally, Article 6 of the law establishes that designations may not be registered, if they reproduce well-known trade names for identical goods, industrial designs, well-known names of works of science, literature or art, or surnames, names, pseudonyms or facsimiles of famous persons.

Upon receipt of an application for registration, the Patent Office examines the application for compliance with the formal requirements of Article 6 of the Paris Convention and the provisions of Articles 4-8 of the Law "On Trade Marks and Service Marks". The Patent Office also establishes a priority date for the application. A claimed mark complying with all applicable conditions is entered into the State Register, and officially published. The registration certificate for a trademark is issued after the publication of information on the registration of a trademark. The registration certificate confirms the registration of the claimed mark as well as the exclusive right of its owner to use it. The original certificate of registration is effective for ten years from the priority date, but may be extended indefinitely for ten-year periods.

The trademark law does not provide for protection of marks which have been used in commerce without registration with the Patent Agency. However, the Civil Code provides that any economic entity using a non-registered mark on a regular basis for five years shall be granted the ownership right to the mark in accordance with general civil normative acts (Civil Code, Articles 81, 97, 169 and 187, paragraph 1).

Article 19 of the law "On Trademarks and Service Marks" requires that marks must be maintained through use, including affixation to goods and packaging of goods, trading licenses, advertising, on the masks, display of samples, and use at exhibitions and fairs. Non-use of a trademark for five years from the date of registration may lead to premature cancellation of the registration certificate. However, termination for non-use may be overturned by the mark-holder upon a showing that the non-use was due to circumstances beyond his control.

(c) Geographical indications, including appellations of origin.

At present, the law on geographical indications and appellations of origin is still being developed in the Republic of Uzbekistan. Section IV of the Civil Code of the Republic of Uzbekistan provides general guidelines for the protection of appellations of origin (Articles 1108-1111). Article 1108 requires that an appellation of origin be registered with the Patent Agency in order to receive protection. Based on the general norms in the Civil Code, the Patent Agency is now developing a draft law that will cover appellations of origin in detail.

Despite the lack of specific legislation on geographical indications and appellations of origin, the owners of such objects who license or transfer their rights by contract may, to a certain extent, protect their rights by including in the contract a provision designating the substantive law that shall be used in settling any disputes. Such protection is provided for by Section VI of the Civil Code ("Application of Norms of International Private Law to Civil Law Relations") in accordance with Articles 1179 and 1180.

(d) Industrial designs.

Industrial designs are protected in the Republic of Uzbekistan within the framework of industrial property law. The law "On Inventions, Utility Models and Industrial Designs" of 6 May 1994 complies with the substantive provisions of the Paris Convention.

Under Article 7 of this law, industrial designs may be protected, if they are new, original and capable of industrial application. Designs are not recognised as new or original, if they do not substantially differ from existing well-known designs or combinations of their essential features. Furthermore, solutions aimed exclusively at a technical function of an item are not protectable. The external design of a product constituting its appearance qualifies as an industrial design.

Legal protection for an industrial design is acquired through proper application to the Patent Agency. Under Article 17 of this law, an application must relate to a single industrial design, or to versions of a single design which are linked by a common creative idea. An application must contain a request for a patent or preliminary patent, a reference to the author and to the person in whose name the patent or preliminary patent is requested, the address or location of such author and person, a set of photographs depicting the item, or a model or drawing which provides a detailed image of the external appearance of the item, a map of a general view of the item, its ergonomic scheme, and a layout map, if such are necessary to disclose the essence of the industrial design, and a description of the industrial design that embraces the totality of its essential features.

Under Article 3, an applicant, at his discretion, may obtain protection without an in-depth examination. In such a case, the Patent Agency issues a preliminary patent and makes an appropriate official publication. The owner's exclusive right to the claimed object arises from the date of official publication. The Patent Agency issues the preliminary patent on a claimed object three months after the date of the official publication of information on the preliminary patent, if by the time being there have been no third-party appeals or protests against the issuance of a preliminary patent. Preliminary patents are issued without any guarantee of their validity. Thus, the preliminary patent is in force, but it does not have guaranteed validity.

Under Articles 3, 14, 15, 19 and 21, the applicant may obtain protection for a claimed object upon completion of in-depth examination. In this case, if the examination has a positive result, the Patent Agency grants the patent and makes the appropriate official publication. The owner's exclusive rights to the claimed object arise from the date of official publication. The Patent Agency grants the preliminary patent on a claimed object three months after the date of official publication of information on the preliminary patent if by the time being there have been no third-party appeals or protests filed against the issuance of the preliminary patent. Validity of the patent granted under this procedure is presumed (Article 3, paragraph 7).

A patent on an industrial design is valid for ten years, with possible extensions available for additional five years (Article 3, paragraphs 10 and 12). A preliminary patent on an industrial design is valid for five years, with possible extensions available for additional five years.

Patents and preliminary patents are maintained by the payment of annual fees (Article 26). However, there are circumstances under which a patent may lapse before the end of the normal term.

The premature cancellation or termination of a patent or preliminary patent by reason of invalidity may be effected on the basis of a third-party appeal filed with the Appeals Council of the Patent Agency. The decision of the Appeals Council may be appealed in the Supreme Court. A patent or preliminary patent may also be suspended or terminated prematurely by reason of non-payment of maintenance fees or on the basis of an application submitted to the Patent Agency by the patent holder (Article 28).

(e) Patents.

Substantive standards of protection, as well as acquisition and maintenance procedures for patents, are governed by the law "On Inventions, Utility Models and Industrial Designs." That law is in compliance with the general principles of the Paris Convention.

An invention is granted legal protection, if it is new, demonstrates a level of inventiveness, and is capable of industrial application (Article 5).

The following are recognised as inventions: devices, methods, substances, strains of micro-organisms, cells of plants and animals, and applications of previously-known devices, methods, substances and strains of micro-organisms in a new way.

Under the Law "On Inventions, Utility Models and Industrial Designs" or any other law the following are not recognised as inventions: scientific theories and mathematical methods, economic and management organisational methods, conventional signs, schedules, rules, methods of execution of mental operations, algorithms and computer programs, construction designs, layouts and schemes, buildings, facilities, objects of design, plant varieties, animal breeds, integrated circuit topologies, and designs which undermine the public interest or principles of humanity and morality.

The Law "On Inventions, Utility Models and Industrial Designs" does not recognise and does not provide protection within the framework of other appropriate laws for algorithms and computer programs, construction designs, layouts and schemes of buildings, facilities, territories; objects of design; integrated circuit topologies; plant varieties and animal breeds.

The law contains no limitations related to the place of creation or the technological field of the invention.

Patent protection is acquired by a proper application to the Patent Agency. The application should relate to a single invention or to a group of inventions that are associated by a single inventive idea (Article 15).

Under Article 3, an applicant, at his discretion, may obtain protection without in-depth examination of the invention. In such a case, the Patent Agency issues a preliminary patent and makes an appropriate official publication. The owner's exclusive right to the claimed object arises from the date of official publication. The Patent Agency issues the preliminary patent three months after the date of official publication of information on the preliminary patent if during this time there have been no third-party appeals or protests against the issuance of the preliminary patent. Preliminary patents are issued without any guarantee of their validity. Thus, the preliminary patent is in force, but it does not have guaranteed validity.

Under Articles 3, 14, 15, 19 and 20, the applicant may obtain protection for his invention upon completion of in-depth examination. In this case, if the examination has a positive result, the Patent Agency grants the patent, and makes the appropriate official publication. The owner's exclusive rights to the claimed object arise from the date of official publication. The Patent Agency grants the patent on a claimed object three months after the date of official publication of information

if there have been no third-party appeals or protests filed against the issuance of the patent. Validity of the patent granted under this procedure is presumed (Article 3, paragraph 7).

A patent on an invention is valid for 20 years from the filing of the patent application (Article 3). A preliminary patent is valid for five years with no extensions possible. The right to exploit an invention belongs exclusively to the patent-holder (Article 11) or to the patent-holder's licensee on the basis of a license agreement (Article 31).

Patents and preliminary patents on inventions are maintained by the payment of annual fees (Article 26). However, there are circumstances under which a patent on an invention may lapse before the end of the normal term. Premature cancellation or termination of the patent or preliminary patent on the basis of invalidity may in the whole volume or partly be effected on the basis of a third-party appeal filed with the Appeals Council of the Patent Agency. The decision of the Appeals Council may be appealed in the Supreme Court. A patent or preliminary patent may also lapse prematurely by reason of non-payment of maintenance fees or on the basis of an application submitted to the Patent Agency by the patent holder (Article 28).

(i) *Utility models protection.*

Substantive standards of protection, as well as acquisition and maintenance procedures for utility models, are governed by the law "On Inventions, Utility Models and Industrial Designs." That law is in compliance with the general principles of the Paris Convention.

Utility model protection is certified by a patent. The object, claimed as a utility model is granted legal protection, if it is new and capable of industrial application.

Constructive fulfilment of means of production and articles of consumption and also their component parts are recognised as utility models. Methods, substances, strains of micro-organisms, cells of plants and animals, their application in a different way, and also the objects specified in Section 2 are granted legal protection as utility models.

Patent protection is acquired by a proper application to the Patent Agency. The application should relate to a single utility model or to a group of utility models that are associated by a single inventive idea.

A utility model application must contain a request for a patent, a reference to the author and to the person in whose name the patent is requested, the address or location of such author and person, the description and formula of the utility model, drawings and summary. The document confirming payment of required fees shall be attached to the application, and if the application is filed through a patent attorney, a document certifying the attorney's authorisation to act on the applicant's behalf shall also be attached to the application.

An applicant is entitled to transform the application for utility model into application for invention and vice versa before a decision on issuance of a patent or a certificate is made. Under the specified requirements the priority of the first application is retained.

Under Articles 3, 14, 16, 19, 20 the patent on a utility model is issued by the Patent Office, if the claimed object is new and capable of industrial application, that is specified by materials of the applicant and the patent documentation of the Republic of Uzbekistan. If the examination has positive result The Patent Office makes the appropriate official publication.

The owner's exclusive rights to the claimed object arise from the date of official publication. The Patent Agency grants the patent on the utility model three months after the date of official

publication of information if during this time there have been no third-party appeals or protests filed against the issuance of the patent on the utility model.

A patent on a utility model is valid for five years from the date of filing with the right of extension for additional three years (Article 3).

The right to exploit a utility model belongs exclusively to the patent-holder (Article 11) or to the patent-holder's licensee on the basis of a license agreement (Article 31).

Patents on a utility model are maintained by the payment of annual fees (Article 26). However, there are circumstances under which a patent on a utility model may lapse before the end of the normal term. Premature cancellation or termination of the patent on the basis of invalidity may in the whole volume or partly be effected on the basis of a third-party appeal filed with the Appeals Council of the Patent Agency. The decision of the Appeals Council may be appealed in the Supreme Court.. A patent may also lapse prematurely by reason of non-payment of maintenance fees or on the basis of an application submitted to the Patent Agency by the patent holder (Article 28).

(f) Plant variety and animal breeds protection.

New plant varieties and new animal breeds are protected under the law "On Selection Achievements." The law was drafted to comply with the provisions of "International Convention on Plant Varieties Protection". Under the law, the Patent Agency, which performs judicial functions, and specialised divisions of the Ministry of Agriculture and Water Resources, which perform expertising functions, are responsible for enforcing protections granted to new plant varieties and new animal breeds.

Under the law, rights in selection achievements attach to selection achievements that are new, distinctive, homogeneous and stable (Article 7). A patent or certificate is granted for a new plant variety or animal breed meeting those three criteria (Article 13). Selection achievements are deemed to be "new", if the selectionist has not sold or re-sold seeds, plant material or pedigree material to other persons for one year before the priority date within the territory of the Republic of Uzbekistan; for four years before the priority date within the territory of any other state; or for six years for grapes, wood, ornamental material, fruit cultures and wood species (Article 8). A selection achievement is deemed to be "distinctive", if it obviously differs from any other well-known breeding achievement as of the priority date (Article 9). A selection achievement is considered "homogeneous", if it is sufficiently uniform, taking into account permissible deviations which may occur in the reproductive process (Article 10). A selection achievement is deemed to be "stable", if its main characteristics are left unchanged after repeated reproduction (Article 11).

Rights in selection achievements are acquired through the submission of a proper application to the Patent Agency (Article 15). The application must relate to a single selection achievement. The application must include: an application for a certificate or patent, the name of the selectionist and of the person under whose name the patent or certificate is claimed, information on the applicant's location, a proposal with the name of the selection achievement, a description of the technical characteristics of the species and breed, photos of samples, documents on the applicant's testing of the species and breed, the applicant's declaration confirming that the selection achievement has not been used or sold and that it complies with novelty requirements, documents confirming the priority (if necessary), a commitment by the applicant to present material for testing species and breeds to a specialised organisation at the appropriate time, a proxy (in the case of an application filed through an agent or patent trustee), and a document confirming payment of the required duties or fees or confirming the basis for an exemption or reduction of such duties and fees (Article 16).

The Patent Agency during two months formally examines the documents supporting the application. If the documents are found to meet applicable criteria, they are forwarded to a specialised body for state testing on distinctiveness, homogeneity and stability (Articles 19, 21 and 22). The Patent Agency then grants temporary legal protection to the claimed selection achievement effective from the date of publication until the date of registration of the selection achievement in the State Register (Article 20).

If the claimed selection achievement meets the criteria of protectability, the appropriate specialised governmental body issues a certificate of its compliance. Based on that statement, the Patent Agency grants the patent or the certificate, and makes an appropriate official publication. The owner's exclusive rights in the selection achievement arise upon the date of the publication of the decision to grant the certificate or patent. The patent or certificate is granted six months after the date of official publication of the decision to grant a protection document, if there have been no third-party appeals or protests against the granting of protection documents (Article 28).

Patents and certificates on selection achievements are valid for 20 years, with ten-year extensions available; patents and certificates on grape varieties, decorative and fruit crops, and arboretum varieties are valid for 25 years (Article 13). The right to exploit a selection achievement belongs exclusively to the patent-holder or his/her legal successor (Articles 31, 39 and 40).

Patents and certificates are maintained through the payment of annual fees (Article 30). However, premature cancellation or termination may occur on the basis of an appeal filed by any interested party with the Appeals Council of the Patent Agency, the decisions of which are decisions of the first instance. In order to irrevocably cancel or withdraw a patent or certificate, it is necessary to appeal against the decision of the Appeals Council to the Supreme Court, the decisions of which are final (Articles 35, 36 and 37). Premature cancellation may also occur upon non-payment of required maintenance fees (Article 36).

(g) Layout designs of integrated circuits

A draft of a law "On Layout Designs of Integrated Circuits" has been completed and submitted to the Oliy Majlis for consideration.

(h) Requirements on undisclosed information, including trade secrets and test data

Undisclosed information is protected under Chapter 64 of the Civil Code. Under Article 1095 of the Civil Code, information constituting a service or commercial secret is protected only, if it possesses actual or potential commercial value by virtue of its confidentiality; if there is no legal way to access the information; if the owner of the information has taken reasonable measures to protect its secrecy.

Under Article 8 of the Law "On Competition and the Restriction of Monopolistic Activity in the Market for Goods" the actions of economic entities directed to acquisition of advantages in business through obtaining, using and disclosing scientific-research, industrial and trading information, including commercial secrets are prohibited without consent of its owner.

(i) Any other categories of intellectual property.

Computer software and databases are protected pursuant to the law "On Legal Protection of Computer Software and Databases" of 6 May 1994. Rights in such works accrue to the author by virtue of creation, regardless of release, and independent of the purpose or merits of the software or database (Article 3). Acquisition of legal rights to a computer program or database requires no formalities (Article 4). However, optional registration is available through the specially-created

Agency for the Protection of Computer Programs and Databases, a sub-agency of the Patent Agency (Article 9). Where the author seeks voluntary registration, the Patent Agency makes the appropriate publication of the software or database.

Firm names are also protected under the normative acts of the Republic of Uzbekistan. Articles 44 and 46 of the Civil Code require state registration of legal entities, including firm names. Article 46 of the Civil Code requires that legal entities have firm names and provides that a legal entity that is properly registered has an exclusive right to use its firm name. Articles 1098-1101 of the Civil Code regulate legal relations in connection with the firm names.

Scientific and technical achievements, reports on scientific and research, experimental and engineering works, and similar objects will be protected under the law, currently in draft form, "On Intellectual Property in the Republic of Uzbekistan," when passed by the *Oliy Majlis*. It is also anticipated that scientific and research works will be protected under the law "On Protection against Unfair Competition," which is currently being drafted.

### **3. Measures to control abuse of intellectual property rights**

Abuse of intellectual property rights is controlled in two ways: through the right to compulsory licensing and through the right to prevent unfair competition. The concerned laws set forth particular measures to control abuses.

The law "On Inventions, Utility Models and Industrial Designs" requires that an invention, utility model or industrial design be worked within three years of the date of the grant of the patent (Article 11, paragraph 6). Where the industrial property is not worked within that time, any participant in commerce may apply for a license or, if the owner of the industrial property refuses to issue a license, the applicant may request a compulsory license. The owner of the rights in the industrial property may defeat the compulsory license application by showing that the non-use or insufficient use is supported by a valid reason.

The unfair competition section of the law "On Competition and the Restriction of Monopolistic Activities in the Market for Goods" prohibits the unlawful use of objects of intellectual property. The law is enforced by the State Antimonopoly Organization (Article 17).

### **4. Enforcement**

#### **(a) Civil judicial procedures and remedies.**

Remedies for copyright and neighbouring right infringement are set forth in the law "On Copyright and Neighbouring Rights." Remedies for breach of a copyright agreement include damages and indemnification for lost profits (Article 43). Remedies for copyright infringement include damages and indemnification for lost profits or, at the plaintiff's discretion, resiliation of the defendant's illegal profits (Article 46). The law provides for general liability for breach of a contract on neighbouring rights and for infringement of neighbouring rights (Article 61). General liability is understood to include damages and indemnification for lost profits.

Available remedies for trademark and service mark infringement include indemnification, resiliation of illegal profits, injunctions prohibiting further illegal use of the mark, publication of the court decision to rehabilitate the business reputation of the harmed party, removal of counterfeit marks from the defendant's goods or packaging, and other remedies at the court's discretion (the law "On Trademarks and Service Marks," Articles 29 and 30). To obtain relief from infringement, the owner of a trademark may turn to the appropriate government prosecutorial authorities in accordance with Articles 23-29 of the law "On Procuracy." Where infringement has been established, the owner



of a trademark may file a suit with the appropriate judicial authorities under Article 10 of the Civil Code.

With respect to geographical indications and appellations of origin, specific enforcement remedies and procedures are under development (See Section 2.c of this Part V above). However, under Section IV of the Civil Code, entities authorised to use a particular designation, as well as consumer protection organisations, may require an entity that is illegally using the designation to cease such use, to remove the designation from its goods, packaging, stationery and other documents, and/or to destroy all items bearing the designation (including a designation that is so similar as to likely cause confusion) (Civil Code Section IV, Article 1111).

Possible remedies for misuse of industrial designs and patents include indemnification, injunctions against further misuse, publication of the court decision to rehabilitate the business reputation of the harmed party, and other remedies at the court's discretion (the law "On Inventions, Utility Models and Industrial Designs," Article 13). Enforcement of rights in and to industrial designs and patents may be accomplished by applying to the appropriate prosecuting authorities pursuant to Articles 23-29 of the law "On Procuracy." Furthermore, the owner of rights in an industrial design or patent may file a suit with the proper judicial authorities in accordance with Article 10 of the Civil Code.

Available remedies for the infringement of rights in and to new plant varieties and new animal breeds include indemnification, injunctions against further misuse, publication of the court decision to rehabilitate the business reputation of the harmed party, and other remedies at the court's discretion (Article 43 of the law "On Selection Achievements" and Articles 10 and 14 of the Civil Code). Enforcement of selection achievement rights may also be obtained through the appropriate prosecuting authorities pursuant to Articles 23 - 29 of the law "On Procuracy."

With respect to rights in integrated circuits, specific enforcement remedies and procedures are contained in the draft law "On Layout Designs of Integrated Circuits," which will be submitted to the *Oliy Majlis*. (See Section 2 above).

Available remedies for the misuse of confidential information include indemnification by parties who illegally access undisclosed information or who disclose it in breach of a contract (see generally Chapter 64 of the Civil Code).

Available remedies for infringement of copyrights on computer programs and databases include a formal recognition by the infringer of the copyright holder's rights, restoration of the status quo before the infringement, injunctions against further infringement, indemnification for lost profits, direct damages and indirect damages, resiliation of illegal profits, statutory damages, and seizure of infringing copies of computer programs or databases (Article 14 of the law "On Legal Protection of Computer Programs and Databases"). Compensation for moral harm is also possible. (the Civil Code, Article 1021). Enforcement is provided through the court system pursuant to jurisdiction established by the Civil Procedure Code.

(b) Provisional measures.

Provisional measures are currently being developed.

(c) Any administrative procedures and remedies.

The protection of rights under administrative procedures may only be pursued in cases specifically provided by the law (Article 10 of the Civil Code). Administrative decisions may be contested in court.

Specialised laws govern the availability of administrative procedures and remedies in given cases. Issues related to the examination of industrial property (patents on inventions, utility models and industrial designs, and trademarks and service marks) are resolved through application to the Patent Agency (see Articles 7-17 of the law "On Trademarks and Service Marks" and Articles 14-25 of the law "On Inventions, Utility Models and Industrial Designs"). In accordance with Article 23 of the law "On Protection of Consumer Rights," the State Anti-Monopoly Organ, the Uzbek State Centre for Standardisation, Metrology and Certification, the Ministry of Health, and other agencies supervising implementation of consumer rights within their jurisdiction are specifically authorised to conduct administrative proceedings to resolve issues related to unfair competition, such as the production and sale of goods unfit for normal use and the counterfeit labelling of food products and beverages. The State Anti-Monopoly Organ is authorised to fine individuals, legal entities, state bodies and officials, and commercial entities engaged in unfair competition (Article 18 of the law "On Competition and Restriction on Monopolistic Activities in the Market for Goods").

(d) Any special border measures.

Special border measures related to intellectual property are set forth by the Customs Code of the Republic of Uzbekistan (Article 9), according to which importation to the Republic of Uzbekistan and exportation from the Republic of certain goods may be prohibited to provide the property rights including those for the objects of intellectual property.

(e) Criminal procedures.

In general, the Criminal Code of the Republic of Uzbekistan does not provide for criminal remedies and procedures for the enforcement of intellectual property rights.

However, violation of copyrights and patent rights in accordance with article 149 of the Civil Code is referred to crimes against constitutional rights and liberties of nationals. Violation of authorship rights, compulsion to joint authorship on the objects of intellectual property, disclosure of information on these objects before their official registration or publication without the author's consent are subject to penalty, deprivation of a certain right, community service and imprisonment.

However, criminal sanctions are available in certain aggravated cases. There are criminal sanctions for ongoing and multiple violations of rights to the same object of intellectual property as well as in cases where economic remedies have been exhausted. In such cases, it is the plaintiff's prerogative to file a suit against the infringer. Furthermore, violations of the rules of informatisation are subject to criminal penalties, including fines, community service and imprisonment for up to three years (Article 174 of the Criminal Code). informatisation violations include the unauthorised accessing of an information network, the intended change, loss or extraction of information from such a network, resulting in loss, and the design and unauthorised distribution of computer viruses and programs, resulting in the distortion or destruction of information.

Moreover, there are criminal penalties for the collection of confidential scientific and technical, production, economic or trade information or any other kind of similar information without the consent of its owner. Such violations are subject to fines, community service and imprisonment for up to three years (Article 191 of the Criminal Code). The discrediting of a competitor through the dissemination of intentionally false, incorrect or distorted information about such competitor in order to harm its business reputation may also be punished by fines, community service for up to three years or imprisonment for up to six months (Article 192 of the Criminal Code).

**5. Laws, decrees, regulations and other legal acts relating to the above.**

The basis of the Republic's intellectual property laws is set forth in Section IV of the Civil Code of the Republic of Uzbekistan, which covers intellectual property rights. Section IV of the Civil Code establishes general principles in compliance with the major international conventions on copyrights and neighbouring rights, industrial property (inventions, utility models and industrial designs), rights to new plant varieties and animal breeds, rights to confidential information (know-how), and rights to the individualisation of commercial participants (firm names, trademarks, designations of the origin of goods). Principles of the Civil Code may be applied to those objects of intellectual property for which no specific normative act has yet been adopted. The basic provisions of the Civil Code are being further developed in other normative acts providing for protection of rights to certain categories of objects of intellectual property.

The following is a list of the basic laws, decrees, regulations and other normative acts affecting the protection of intellectual property rights:

1. Constitution of the Republic of Uzbekistan (Articles 11, 23, 36, 42, 44, and 53) adopted on 8 December 1992;
2. Civil Code of the Republic of Uzbekistan (Parts I and II) of 29 August 1996, coming into effect on 1 March 1997;
3. Criminal Code of the Republic of Uzbekistan of 22 September 1994;
4. Civil Procedure Code of the Republic of Uzbekistan of 29 August 1997;
5. Labour Code of the Republic of Uzbekistan of 21 December 1995;
6. Code on Administrative Responsibility of the Republic of Uzbekistan of 22 September 1994;
7. Commercial Procedure Code of the Republic of Uzbekistan of 30 August 1997;
8. Customs Code of the Republic of Uzbekistan, adopted on 26 December 1997 coming into force on 1 March, 1998;
9. Tax Code of the Republic of Uzbekistan of 26 December 1997, coming into force on 1 March 1998;
10. Law of the Republic of Uzbekistan "On Trademarks and Service Marks" of 7 May 1993, coming into effect on 2 June 1993 (with the following changes and additions of 26 December 1997).
11. Law of the Republic of Uzbekistan "On informatisation" of 7 May 1993, coming into effect on 1 June 1993;
12. Law of the Republic of Uzbekistan "On Legal Protection of Computer Software and Data Bases" of 6 May 1994, coming into effect on 28 May 1994;
13. Law of the Republic of Uzbekistan "On Inventions, Utility Models and Industrial Designs" of 6 May 1994, coming into effect on 1 June 1994 (with following changes and additions of 26 December 1997);
14. Law of the Republic of Uzbekistan "On Selection Achievements" of 30 August 1996, coming into effect on 11 September, 1996;
15. Law of the Republic of Uzbekistan "On Copyright and Neighbouring Rights" of 30 August 1996, coming into effect on 17 September 1996;
16. Law of the Republic of Uzbekistan "On Competition and Restriction of Monopolistic Activities in the Market for Goods" of 27 December 1996;
17. Law of the Republic of Uzbekistan "On Foreign Investments" of 30 April 1998;
18. Law of the Republic of Uzbekistan "On Guarantees and Measures of Protection of Foreign Investors Rights" of 30 April 1998;
19. Law of the Republic of Uzbekistan "On the Protection of Consumer Rights" of 26 April 1996;
20. Law of the Republic of Uzbekistan "On Property in the Republic of Uzbekistan" of 31 October 1990 (with the following changes and additions);

21. Law of the Republic of Uzbekistan "On Enterprises" of 15 February 1991 (with the following changes and additions);
22. Law of the Republic of Uzbekistan "On Taxes from Enterprises, Associations and Organisations" of 15 February 1991 (with the following changes and additions);
23. Law of the Republic of Uzbekistan "On Auditing" of 9 December 1992;
24. Law of the Republic of Uzbekistan "On Collateral" of 9 December 1992;
25. Law of the Republic of Uzbekistan "On State Duties" of 9 December 1992;
26. Law of the Republic of Uzbekistan "On Procuracy" of 9 December 1992;
27. Law of the Republic of Uzbekistan "On Insurance" of 6 May 1993;
28. Law of the Republic of Uzbekistan "On Protection of State Secrets" of 7 May 1993;
29. Law of the Republic of Uzbekistan "On Courts" of 2 September 1993;
30. Law of the Republic of Uzbekistan "On Certification of Goods and Services" of 28 December 1993;
31. Law of the Republic of Uzbekistan "On Plant Quarantine" of 31 August 1995;
32. Law of the Republic of Uzbekistan "On Pedigree Cattle Breeding" of 21 December 1995;
33. Law of the Republic of Uzbekistan "On International Agreements of the Republic of Uzbekistan" of 22 December 1995;
34. Law of the Republic of Uzbekistan "On Seed Breeding" of 30 August 1996;
35. Law of the Republic of Uzbekistan "On Advocates" of 27 December 1996;
36. Law of the Republic of Uzbekistan "On Dekhan Entity" of 30 April 1998
37. Law of the Republic of Uzbekistan "On Farm Entity" of 30 April 1998
38. Presidential Decree No. UP-345 of 18 February 1992 "On Formation of the State Committee of the Republic of Uzbekistan for Science and Techniques (SCST of the Republic of Uzbekistan);"
39. Cabinet of Ministers Resolution No. 360 of 3 August 1992 "On Further Development of the Structure and Operations of the State Committee of the Republic of Uzbekistan for Science and Engineering;"
40. Cabinet of Ministers Resolution No. 91 of 20 March 1995 "On Adjusting Decisions of the Government of the Republic of Uzbekistan in Accordance with the Law On Inventions, Utility Models and Industrial Designs";
41. Cabinet of Ministers Resolution No. 331 of 21 August 1995 "On Registration Fees for Official Registration of Computer Programs and Databases";
42. Cabinet of Ministers Resolution No. 294 of 17 June 1993 "On Approval of the Regulation on Legal Examination and State Registration of Normative Acts of Ministries, State Committees and Departments of a Mandatory Nature";
43. Provisional Rules for the Filing, Submission and Examination of Applications for Official Registration of Computer Programs and Databases of 15 August 1997;
44. Provisional Rules for the Registration of Agreements for Computer Programs and Databases of 15 August 1997;
45. Regulation on Registration Fees for the Official Registration of Computer Programs, Databases and Agreements on the Transfer of Property Rights;
46. Rules for the Filing and Submission of Applications on Inventions and Utility Models;
47. Rules for the Filing and Submission of Application on Industrial Designs;
48. Rules for the Filing and Submission of Applications for the Registration of Trademarks and Service Marks;
49. Duties for the Patenting of Inventions, Utility Models and Industrial Designs and for the Registration of Trademarks and Service Marks;
50. Provisional Regulation on Patent Attorneys of the Republic of Uzbekistan;
51. Provisional Regulation on the Appeals Council under the Patent Agency of the Republic of Uzbekistan;
52. Rules for the Submission and Examination of an Application of a Patent-Holder to Acquire the Right to an Open License and on the Publication of Information on Such an Application;

53. Patent Term Extension Rules of the Republic of Uzbekistan in Respect of Utility Models;
54. Patent Term Extension Rules of the Republic of Uzbekistan in Respect of Industrial Designs;
55. Rules for Extension of the Term of Validity of Registration Certificates for Trademarks and Service Marks and for Making Changes in Registration Certificates for Trademarks and Service Marks;
56. Rules for the Examination and Registration of Agreements Transferring Rights to Inventions, Utility Models, Industrial Designs and Licensing Agreements Granting Rights to Exploit Inventions, Utility Models and Industrial Designs;
57. Rules for Making Changes and Additions to a Registered Licensing Agreement;
58. Provisional Procedure for the Premature Suspension and Revocation of Protection Documents;
59. Provisional Procedure to be Followed by Applicants in Claiming Rights to Objects to Industrial Property;
60. Draft of the SCSE Resolution "On Order of Exchange of Protection Documents of the Former USSR on Selection Achievements, and on Order of Acquisition of Patents and Certificates according to Applications, submitted in the Republic and in Other States" of 2 September 1997, includes five Schedules;
61. Provisional Order of Collecting Fees for Patenting and Registration of Selection Achievements and Provisional Amounts of Fees for Patenting and Registration of Selection Achievements (The Order of the Director of the State Patent Office of 3 September 1997);
62. Provisional Order of Execution by an Applicant of Procedures when Acquiring Rights to the Objects of Industrial Property (Draft);
63. State List of Botanical and Zoological Species and Varieties, protected in the Republic of Uzbekistan (The Order of Minselvodkhoz of 4 December, 1997);
64. Rules on Giving a Name to a Plant Variety (The Order of Minselvodkhoz of 3 June 1997);
65. Intergovernmental Agreement on Co-operation in the Field of Industrial Property Protection, made with Russian Federation (27 June 1995);
66. Intergovernmental Agreement on Co-operation in the Field of Industrial Property Protection, made with Georgia (28 May 1996)
67. Intergovernmental Agreement on Co-operation in the Field of Industrial Property Protection, made with the Kyrgyz Republic (24 December 1996);
68. Intergovernmental Agreement on Co-operation in the Field of Industrial Property Protection, made with the Republic of Kazakhstan (2 June 1997);
69. Intergovernmental Agreement on Co-operation in the Field of Industrial Property Protection, made with the Republic of Azerbaijan (18 June 1997);
70. Intergovernmental Agreement on Co-operation in the Field of Industrial Property Protection, made with the Ukraine (19 February 1998).

The following intellectual property legislation is being drafted:

- "On Layouts of Integrated Circuits;"
- "On Firm Names;"
- "On Legal Protection of Appellations of Origin;"
- "On Unfair Competition;"
- "On Secret Objects of Intellectual Property;" and
- "On Service Objects of Industrial Property."

## 6. Statistical data on application for and grants of intellectual property rights as well as any statistical data on their enforcement

Table V-7: Statistical Data on Applications Received and Decisions Rendered

	1994	1995	1996	1997
Applications for protection documents for inventions including	1,163	1,192	1,087	1,014
- from local applicants	977	1,019	940	802
- from foreign applicants	186	173(98)	147(136)	212(85)
Decisions on issuance of protection documents for - inventions	--	1,192	1,087	753
- for local applicants	1,161	1,179	1,046	700
- for foreign applicants	2	13	41	53
Applications for protection documents for industrial designs including	45	63	125	164
- from local applicants	45	61	123	154
- from foreign applicants	--	2	2	10
Decisions on issuance of protection documents for industrial designs	45	62	96	144
Applications for protection documents for trademarks including	1,984	2,048	1,563	1,339
- from local applicants	826	1,269	838	609
- from foreign applicants	1,058	779	725	730
Applications submitted for registration in accordance with the Madrid Treaty	2,552	2,321	2,276	2,388
Decisions on registration of trademarks	50	3,042	6,263	3,134
- for local applicants	500	2,961	4,042	1,051
- for foreign applicants	450	2,081	2,221	2,083
Applications submitted for registration for computer programs and databases			57	65
Applications submitted for registration for selection achievements			4	4
Applications for protection documents for utility models		23	12	16
- for local applicants				15
- for foreign applicants				1

## VI. TRADE IN SERVICES REGIME

### 1. General

Since independence, the type, quality and number of service providers has been expanding rapidly. In 1996, the service sector accounted for 38.3 per cent of GDP and 34.1 per cent of total employment. A description of selected service industries and the legal regime governing each is provided in Section 5 to this Part VI and in Annex 7 of this Memorandum.

### 2. Policy affecting trade in services.

(a) Government departments, agencies, professional associations or other bodies with authority or a role relevant to the conduct of service activities.

The primary goals of state regulation of the services sector are the suppression of unfair competition, the maintenance of national security, the protection of the life, health and economic interest of consumers, and the protection of the environment. The Republic of Uzbekistan pursues these goals through a system of regulations intended to impose a minimum of burdens on service providers. This regulatory system, with relatively few minor exceptions, is imposed equally on both foreign and domestic providers; therefore, foreign service providers generally enjoy national treatment.

The Republic of Uzbekistan does not impose discriminatory regulations on foreign service providers.

The provision of certain services is subject to licensing and/or certification requirements that with are imposed equally on all concerned providers.

A summary of the exceptions to this policy of national treatment for service suppliers is provided in Section 3 of this Part VI.

Presidential Decree No. 745 of 21 January 1994 "On Measures for Further Expansion of Economic Reforms, Ensuring the Protection of Private Property and the Development of Entrepreneurship" specifies the ministries and state bodies that have the power to license economic activities, including certain service activities: (i) the Cabinet of Ministers, (ii) the Ministry of Justice, (iii) the Ministry of Finance, (iv) the CBU, (v) the Ministry of Interior, (vi) the Ministry of Health Care, and (vii) the Ministry of Education.

On 18 April 1994, the Presidium of the Oliy Majlis issued Resolution No. 1034-XII "On Supplements and Amendments to the List of Activities that Enterprises, Including Foreign and Joint Venture Enterprises, May Engage in Only on the Basis of a License," which updated the list of activities that are subject to licensing.

Pursuant to the aforementioned Decree and Resolution, the Cabinet of Ministers issued Resolution No. 215 of 19 April 1994, "On Improving the Procedure for Issuing Special Authorisations (Licenses) to Engage in Certain Types of Activities." This resolution constitutes the basic normative act governing the licensing of service providers in the Republic of Uzbekistan and specifying activities subject to licensing. For each listed activity, Resolution No. 215 also specifies the name of the ministry or state body having general responsibility for promulgating and administering the regulations governing the activity. Table VI-1 sets forth the list of activities of interest to service providers and the corresponding ministry or state body having regulatory authority over that activity.

Table VI-1: The List of Activities and Regulatory Authority Issuing Licenses

Type of Activity	Regulatory Authority
Development, manufacture, repair and sale of arms and ammunition, means of protection, military equipment, spare parts and components, devices thereof, if they are not used in other industries, as well as special materials and specialised equipment for production thereon	Cabinet of Ministers
Extraction, production, transportation, processing, disposal and sale of uranium and other radioactive materials as well as articles thereof.	Cabinet of Ministers
Production of electrical energy by stationary power plants connected to the public energy network.	Cabinet of Ministers
Liquidation (destruction, utilisation, disposal) and processing of abandoned military technical utilities.	Cabinet of Ministers

Type of Activity	Regulatory Authority
Demonstration and advertisement of military products.	Cabinet of Ministers
Tourism services.	Cabinet of Ministers
Development, processing and marketing of oil and gas .	Cabinet of Ministers
Precious and rare metal and stone exploration services.	Cabinet of Ministers
Collection and recycling of disposable residues and wastes containing precious metals and stones.	Cabinet of Ministers
Development, manufacture and sale of devices and equipment containing radioactive substances and isotopes.	Cabinet of Ministers
Designing and construction and assembly works, operating and repairing of atomic energy facilities, main pipelines, bridges, tunnels as well as military and defence facilities.	Cabinet of Ministers
Construction and exploitation of objects of highly hazardous character or facilities for the production of potentially dangerous goods and the production of equipment, control and alarm systems for such facilities.	Cabinet of Ministers
Production of treasury and bank notes, coins, securities (shares, bonds, etc.), orders, medals, tokens of postal payment.	Central Bank
Medical services.	Ministry of Health
Sowing, cultivation and sale of crops containing narcotic substances.	Ministry of Internal Affairs
Production and sale of narcotic substances.	Health Ministry upon agreement of Ministry of Internal Affairs
Production of pharmacological preparations.	Health Ministry
Establishing and operating gambling houses, lotteries and the like.	Finance Ministry
Transporting cargo and passengers by rail, air, sea and motor vehicles.	Cabinet of Ministers
Designing, repairing, installing, adjusting and servicing fire equipment and fire alarms.	Ministry of Internal Affairs
Production of movies and chronicle documentaries, films on science and technology, travel films, cartoons and other programs.	State Joint Stock Company "Uzbekkino"
Circulation, dubbing and sale of films and video products.	State Joint Stock Company "Uzbekkino"
Film and video rental services.	State Joint Stock Company "Uzbekkino"
Services, including intermediary services, in arranging production of films and video programs.	State Joint Stock Company "Uzbekkino"
Design, construction and operation of trunk and international communication lines.	Cabinet of Ministers
Legal services provided to citizens and legal entities.	Ministry of Justice
Manufacture, maintenance, operation and sale of enciphering and deciphering devices.	Cabinet of Ministers
Production and sale of metrological equipment.	Cabinet of Ministers
Execution of topographic and geodesic cartographic works.	Cabinet of Ministers
Activity in the securities market as investing institutions.	Central Bank
Providing expertise to construction projects.	Cabinet of Ministers
Repair, construction and assembly works of high construction objects through use of industrial "mountaineering."	Cabinet of Ministers
Services involving the certification of goods and services.	Cabinet of Ministers



Type of Activity	Regulatory Authority
Engineering, architectural and surveying services in connection with the construction of manufacturing facilities, residential and agricultural projects.	Cabinet of Ministers
Educational services provided by private and religious educational institutions.	Cabinet of Ministers
Repair and sale of sports rifles, firearms and ammunition thereof and side-arms (except national knives).	Ministry of Internal Affairs
Auditing services.	Ministry of Finance
Production of jewellery from precious metals and stones.	Cabinet of Ministers
Production of perfumes, cosmetics and household chemical goods.	Ministry of Health

If necessary, the Cabinet of Ministers can delegate the right to issue licenses to an appropriate governmental organ.

Annex 6 of Cabinet of Ministers Resolution No. 287 of 25 July 1995 "On Measures for Further Liberalising and Improving Foreign Economic Activities," requires foreign providers of professional services in Uzbekistan to obtain a license from the Ministry of Labour. Cabinet of Ministers Resolution No. 175 of 12 May 1996 "On the Approval of Licensing Provisions for Transportation and Telecommunication Activities (Amended)" requires enterprises providing telecommunication and transportation services, regardless of their form of ownership, to obtain a license from the Commission on Transportation and Telecommunications Licensing under the Cabinet of Ministers. Licensed providers of telecommunication services are under the regulatory authority of the Uzbek Postal and Communication Agency, which is responsible for ensuring compliance with the terms of the license. Licensed providers of transportation services are under the regulatory authority of one of the following three state bodies, depending on the nature of the service: (i) the State Joint Stock Railway Company "Uzbekistan Temir Yullari" (railway transportation); (ii) the Airline Company "Uzbekistan Khavo Yullari" (air transportation); and (iii) the State Joint Stock Corporation "Uzavtotrans" (motor vehicle transportation).

Under Cabinet of Ministers Resolution No. 175 of 12 May 1996 the transportation of passengers and cargoes and the conduct of aviation-related activities are not subject to licensing if:

- such activities or transportation services are carried out on the basis of special normative acts of the Republic of Uzbekistan;
- such activities or transportation services are related to the liquidation of the consequences of natural calamities, epidemics, or major industrial accidents that endanger the life or health of the people and require emergency rescue and reconstruction operations.

(b) Judicial, arbitral or administrative procedures providing for the review of or remedies in relation to administrative decisions affecting trade in services.

Any administrative decision of a state body may be appealed first to the head of the concerned state body and thereafter to the commercial court system according to the established procedures. See Part III, Section 6, of this Memorandum.

(c) Provisions, including those in international agreements, concerning qualification requirements and procedures, technical standards and licenses and/or registration for the supply of services.

Uzgostandart, the standards, metrology and certification agency under the Cabinet of Ministers, is generally responsible for ensuring that products and services comply with applicable standards and technical specifications. However, there is not yet any normative act in the Republic of Uzbekistan specifying the services that are subject to certification. The general procedural requirements for the certification of services comply with the guiding principles of the International Standards Organisation (ISO). Uzbekistan also complies with the CIS Agreement on Coordinated Policy on Standardisation, Metrology and Certification, and the bilateral agreements based on it. Uzgostandart therefore recognises certificates of service providers issued by other CIS countries. Agreements on standardisation and certification measures applicable to services are now under negotiation with the certain non-CIS countries.

(d) Provisions governing the existence and operation of monopolies or exclusive service suppliers

The basic competition law of Uzbekistan is the law "On Competition and Restriction of Monopolistic Activities in the Markets for Goods" of 27 December 1996 (the "Antimonopoly Law"). This law is administered by the State Antimonopoly Organ (SAMO). Moreover, the Oliy Majlis adopted on 24 April 1997 the law "On Natural Monopolies." These laws are described in more detail in Part II, Section 2.e, of this Memorandum.

There are no service suppliers who have been given an exclusive status.

The legislation of the Republic of Uzbekistan provides for classifying as natural monopolies the providers of the following services: (i) pipeline transportation services for oil, gas condensate, natural gas and coal, (ii) electric energy and heating generation and supply, (iii) railway transportation services, (iv) port and air terminal services, (v) public telecommunications and postal services; and (vi) water supply and sewage services.

(e) Provisions relating to protective measures in respect of trade in service.

The Republic of Uzbekistan does not apply protective measures with respect to trade in services.

(f) Provisions to international transfer and payments for current transactions in services

(g) Provisions to capital transactions affecting the supply of services

See Section 2.c of Part II of this Memorandum. The same regulatory provisions concerning current operations and payments regulations are applied to both imports and exports.

(h) Provisions governing the procurement by governmental agencies of services

Procurement of services by governmental agencies is regulated in the same way as the procurement of goods (See Section 3 of Part IV of this Memorandum).

- (i) Provisions concerning any form of aid, grant, domestic subsidy, tax incentive or promotion scheme affecting trade in services.

Under Article 71 of the Tax Code of the Republic of Uzbekistan, certain services (insurance and reinsurance services, services in the field of public education, services related to the payment of pensions and social security benefits by postal and communications entities and the like) are exempt from VAT. In accordance with Article 31 of the Tax Code, certain specified service providers and the income from certain service operations are exempt from income tax: (i) most educational institutions, (ii) providers of urban transportation services (excluding taxis); (iii) income from road maintenance, repair and construction; (iv) newly created businesses providing tourism services in certain parts of Uzbekistan (the exemption is valid for no more than three years from the date of registration), etc.

Article 92 of the Tax Code also exempts the following categories of property from the property tax: (i) property used in providing public transportation services; (ii) pipelines, tram lines, communication lines, power systems, and property used in providing satellite communications, (iii) property used in road maintenance, (iv) property of newly created businesses providing tourism services in certain parts of Uzbekistan (the exemption is valid for no more than three years from the date of registration), etc.

### **3. Market Access And National Treatment.**

- (a) Limitations on the number of service suppliers.

There are no limitations on the number of service providers.

- (b) Limitations on the total value of service transactions and assets.

There are no such limitations.

- (c) Limitations on the total number of service operations or on the total quantity of service output.

There are no such limitations.

- (d) Limitations on the total number of natural persons that may be employed in a particular service sector.

There are no such limitations.

- (e) Restrictions on, or requirements of specific types of legal entity through which a service may be supplied.

With the exception of the following, there are no such restrictions or requirements: (i) banking services must be offered through a joint stock company organised in Uzbekistan; (ii) investment fund services may be offered through an open joint stock company organised in Uzbekistan; and (iii) insurance services may be offered through a legal entity organised in Uzbekistan. Other services may be offered by legal entities organised in Uzbekistan or by individual entrepreneur, resident in Uzbekistan and duly registered with the local authorities.

- (f) Limitations on the participation of foreign capital.

Banking services may only be offered through a joint stock company organised in Uzbekistan. There is a general limitation of 35 per cent on the percentage ownership that may be held

by any separate entity or person, but it does not apply to the share that may be held by the state or a foreign bank. Therefore, it is legally possible for a foreign bank to have a wholly owned banking subsidiary in Uzbekistan; however, as of today, all banks with foreign participation also have some participation of the State. Foreign participation in local legal entities providing telecommunications or transportation services is limited in practice to a maximum of 49 per cent.

(g) Measures providing for less favourable regime than that of the treatment accorded to national services or services suppliers.

The Republic of Uzbekistan generally provides foreign-owned service providers with non-discriminatory treatment, subject to certain exceptions: (i) only Uzbek Airlines may offer internal air services within the Republic of Uzbekistan; foreign airlines holding a license from Uzbekistan Airlines may provide international air transport services (see Section 5.f of this Part VI for a description of the current situation on the issuing of air transportation licenses); (ii) local banks with foreign participation must have share capital fund of US\$5,000,000. minimum while the minimum share capital fund for the local banks without foreign participation is determined by the CBU on case-by-case basis; (iii) only an individual citizen may become a barrister (*advocat*), and only a barrister may render legal services for criminal case hearings (for all other cases related to legal assistance services foreign attorneys and lawyers may obtain a license on the same basis as Uzbek citizens do); and (iv) to render insurance services on the territory of Uzbekistan foreign insurers should set up a legal entity of the Republic of Uzbekistan either with or without participation of local capital.

#### **4. Most Favored Nation Treatment.**

The Republic of Uzbekistan provides equal regime to foreign service providers regardless of their nationality. The Republic of Uzbekistan also provides equal regime to foreign individuals or foreign companies willing to invest in the country's service sector.

#### **5. Description of the market and the mechanism for regulating the most prominent service sectors.**

(a) Legal services.

All lawyers must have a law degree. The legal profession is divided into three basic categories of lawyers: (i) advocates, i.e. lawyers in private practice who have become members of their local College of Advocates, the professional bar association, (ii) other private practice lawyers, i.e. lawyers and law firms who or which have obtained a license from the Ministry of Justice to offer legal services to the public, and (iii) lawyers not engaged in private practice, such as in-house company lawyers and Government lawyers.

An advocat has the right to render all legal services to the public, including legal services in connection with criminal matters. An advocat is not entitled to render legal services to the Government. The lawyers employed directly by the Government or a company or other organisation - do *not* require a license: they are subject to attestation obtaining certificate of legal adviser. Most lawyers fall into this last category.

Advocats generally offer their legal services to the public through their local College of Advocats. The advocats' performance is regulated by the law "On Advocatship" of 27 December 1996. An advocat must be a citizen of the Republic of Uzbekistan having higher juridical education and having received a license to practice law. An advocat must pass a qualification examination in order to obtain a license to practice law. A license to practice law may be issued by the Ministry of Justice of the Republic of Karakalpakstan or the department of justice of any regional

khokimiyat or the khokimiyat of the City of Tashkent. The license is issued in accordance with the regulations of the concerned commission on qualifications.

In order to obtain membership in his local College of Advocats, an applicant is required to have the required minimum practical experience. Generally, the experience requirement will be met if the applicant has served an internship of six months to one year at his local College of Advocats or if he has two years of practical experience as a lawyer.

The performance of lawyers and law firms in private practice is regulated by the Ministry of Justice, which, pursuant to Cabinet of Ministers Resolution No. 215 of 19 April 1994, has been given licensing authority over lawyers in private practice. Under the regulations of the Ministry of Justice, any citizen holding a law degree from a recognised institution of legal education and who has three years of practical experience as a lawyer, as well as any legal entity (including a foreign owned legal entity) employing such a person, may apply for a license to offer non-criminal legal services to the public. In addition, a legal entity applying for such a license must have a provision in its charter stating that it is authorised to offer such legal services.

Accordingly to the law "On Notariat" adopted on 26 December 1996 by the Oliy Majlis of the Republic of Uzbekistan activity of private notaries was allowed since 1 March 1997 in the territory of Uzbekistan, granting the right to set up private notary offices upon the license issued by the Ministry of Justice.

Since 1994, the Ministry of Justice has granted several licenses to legal entities offering non criminal legal services to the public, being several ones owned partly or wholly by foreign persons or companies. There are no available statistics on the number of lawyers working for the Government or as in-house lawyers at companies or other organisations.

(b) Telecommunication services.

In the telecommunication services market, telephone services are almost wholly provided by the open joint-stock companies "Makhaliy Telecom" (local telecommunications) and "Khalkaro Telecom" (international telecommunications). Currently, a digital inter-city and international communications network is being established in co-operation with "Alcatel CEL AG," "De-Te-Line," and Siemens (Germany). The construction of the Uzbekistan segment of the trans-eurasia fibre optic line has been completed.

Pursuant to Cabinet of Ministers Resolution No. 175 of 12 May 1996 "On the Approval of Licensing Provisions for Transportation and Telecommunications Activities," firms planning to offer telecommunication services (e.g., international telephone, trunk line telephone, local telephone, telegraph, fax, telex and postal services) must first be licensed by the Cabinet of Ministers' Commission on Transportation and Telecommunications Licensing. The design, construction and operation of the following categories of telecommunications systems is subject to licensing: (i) non-international long distance telephone communications, (ii) international telephone communications, (iii) cellular communications for public use, (iv) personal paging for public use, (v) data processing and transmission networks, and (vi) television and radio broadcasting. Licensed providers of telecommunication services are under the regulatory authority of the Uzbek Postal and Telecommunications Agency, which is responsible for ensuring compliance with the terms of the license.

The Postal Agency and the state joint-stock company "Uzbekpost" provides postal services and under an agreement with "Makhaliy Telecom" (local telecommunications provider) and "Khalkaro Telecom" (international telecommunications provider), as well as retail telegram services and retail inter-city and international telephone services to the walk-in public. Uzbekpost provides

such services at most of its offices throughout the Republic of Uzbekistan. In addition, private companies can lease lines from Uzbekpost.

The lines operated by "Makhaliy Telecom" (local telecommunications provider) and "Khalkaro Telecom" (international telecommunications provider) are utilised for voice and data communication, including the exchange of computer data and facsimile communication. International traffic goes through the Tashkent Centre for International Electronic Communication, with some traffic going through the INTELSAT satellite communication system.

There is also a State-owned production association of state-owned enterprises involved in providing radio-relay main cable services and television and radio broadcast services. A number of private companies, partly foreign owned, offer various telecommunication services: (i) "Uzdunrobita-US-Uzbek JV Cellular Communications," 45 per cent foreign-owned; (ii) "Kamalak TV-US-Uzbek Cable TV and Paging Communication," 49 per cent foreign-owned; (iii) "Buzton-Digital Communications," an Uzbek-British JV, 49 per cent foreign-owned; (iv) "Uzsviazsputnic-Satellite Communications," 49 per cent foreign-owned; (v) "Aloka Daewoo" (production of communications equipment), 49 per cent foreign-owned; (vi) "Atel Telephone and Telecommunications Equipment," 49 per cent foreign-owned; (vii) "Uzmakom" (cellular communications), an Uzbek-Malaysian JV, 49 per cent foreign-owned; and (viii) "Chircom," an Uzbek-German JV, 49 per cent foreign-owned.

Wholly private enterprises (including those with foreign participation) set their own rates. Enterprises in which the Government has some participation must co-ordinate the setting of rates with the Uzbek Postal and Telecommunications Agency.

In 1995, the level of telephone installation in the country was 10.4 per 100 families. In Tashkent, there are 20.9 telephones for every 100 persons. The Uzbek Postal and Telecommunications Agency is authorised to administer the regulations affecting the telecommunications industry. In accordance with Cabinet of Ministers Resolution No. 307 of 1 August 1995 "On the National Program for the Reconstruction and Development of Telecommunications in the Republic of Uzbekistan till the Year 2010," the Uzbek Postal and Telecommunications Agency is to carry out the reconstruction and development of the telecommunications network by the year 2010. It is anticipated that by that year, 4,494,0000 telephone numbers will have been installed. The objectives of the effort to reconstruct and develop the telecommunications system by 2010 are as follows: (i) to switch over to digital equipment, (ii) to raise the level of telephone density per capita to 20-25 per cent, (iii) to introduce up to 180 different types of high quality services, (iv) to establish fibre-optic cable and telecommunications equipment production, and (v) to integrate the national network into the world telecommunications network.

Table VI-2: Forecast for Inter-City and International Telephone Communication Development

Indices	Availability by Year End					
	1995	1996	1997	2000	2005	2010
Level of automated exchanges in percentage.	76.3	77.0	78.0	87.0	96.0	98.0
Number of terminal channels of interzone communication, thousands.	53.1	53.5	53.8	54.5	55.0	55.6
Number of international channels, thousands.	1.8	1.9	2.1	2.7	3.3	4.4
Length development of digital communication lines, in kilometres.						
Total	-	-	463.5	887.0	1,288.0	1,200.0
including:						
mainline	-	-	463.5	887.0	1,288.0	1,200.0
interzone	-	-	-	-	-	-

## (c) Health services.

State-owned health institutions render medical and dental services to citizens free of charge. The provision of health services is regulated by the law "On the Health Protection of the Citizens" of 29 August 1996.

The state does not limit the ownership or number of health care facilities. Cabinet of Ministers Resolution No. 240 of 5 May 1992, "On the List of Activities that can be Carried out by Enterprises Only on the Basis of Special Permits," and Ministry of Health Order No. 343 of 16 July 1992, "On the Establishment of the Licensing Committee Under the Ministry of Health," provide for the establishment of private health care facilities. Such private facilities are, however, subject to licensing by the Ministry of Health. Decisions on license applications are required to be made not later than 30 days after the submission of all required documentation. Licenses are issued for a renewable period.

Under Cabinet of Ministers Resolution No. 215 of 19 April 1994, a provider of for-pay health care services, including health clinics and providers of pharmacological services, are to be licensed by the Ministry of Health. Cabinet of Ministers Resolution No. 378 of 21 July 1994 "On Approval of the Instructions on Private Medical Practice" provides that a person who (i) has received the required medical education and a diploma evidencing such education and (ii) has at least five years professional experience may obtain a private practice license from the Ministry of Health. Thereafter, the license holder must register with the local authority where he plans to engage in private practice.

Any person, including a foreign citizen, who meets the requirements has the right to obtain a license and to engage in private practice, provided that the Ministry of Health has recognised the educational institution issuing the diploma. Foreign citizens desiring to practice medicine in Uzbekistan must undergo attestation at the Ministry of Health of the Republic of Uzbekistan for compliance with the national requirements of the Republic of Uzbekistan, unless otherwise is established in an international agreement. Private health care providers are not allowed to treat tuberculosis, psychological disorders, venereal diseases, oncological disorders, or any serious inflammations or infectious diseases (e.g., AIDS, leprosy). Private pharmaceutical enterprises are not allowed to produce, store or sell narcotics, psychotropic or other virulent medicines.

Table VI-3: The Basic Parameters of Health Care

	1995	1996
No. of physicians in all specialities.	76,200	78,800
No. of medical support personnel.	249,600	265,300
No. of hospital beds.	192,200	196,300
No. of health care establishments offering out-patient polyclinic services.	3107	3168

## (d) Education services.

The State provides nine years of compulsory education free of charge to all citizens of Uzbekistan. Thereafter, a citizen has the right to continue his or her education free of charge for up to two additional years at his current school or he may enrol free of charge at a specialised state-run technical school (e.g., a medical technicians school, agriculture institute, or other technical school). Thereafter, a student may enrol free of charge at one of the state-run universities, which have been established on the basis of faculties specialising in different specialities (e.g., the University of World Languages, Tashkent Medical Institute, Tashkent State Technical University, etc.). There is one single entry exam for all institutions of higher education. Generally, at this time there are no laws or

regulations of general applicability governing the establishment of private schools; all applications for the right to establish a private school are reviewed on a case-by-case basis by the Ministry of Education, which is responsible for licensing such institutions. Applicants seeking the right to establish a private university must obtain a license from the Ministry of Higher Education, which also reviews applications on a case-by-case basis.

Table VI-4: Number of Students in University-Level Institutions as of the Beginning of the Academic Year

	1995	1996
Number of educational institutions	58	59
Number of students	192,100	165,700

Table VI-5: Number of Students in Special Technical Institutes as of the Beginning of the Academic Year

	1995	1996
No. of educational institutions	252	258
No. of students	194,800	197,200

(e) Banking services.

The functions of a monetary authority are performed by the Ministry of Finance and the Central Bank of Uzbekistan. The CBU, which enjoys a great deal of independence by virtue of the Law "On the Central Bank" of 21 December 1995, has the right to issue bank notes and coins and to regulate the use of foreign currency within the territory of Uzbekistan. The CBU issues cash, provides deposit and transfer services to the Government, approves the amounts and terms of credits extended to the Government of the Republic of Uzbekistan, establishes economic norms for banks and controls their implementation, and takes decisions on issuing and revoking licenses for the conduct of banking activity.

On 25 April 1996, the Oliy Majlis passed a new law, the law "On Banks and Banking Activities," that now serves as the fundamental piece of legislation governing the operation of commercial banks. That law states that the CBU has the authority, within its discretion, to establish the minimum share capital fund requirements for commercial banks on a case-by-case basis.

In accordance with the "Instruction on Procedures for Registering and Licensing Banks," approved by Protocol No. 5 of the Resolution of the Board of Directors of the Central Bank of the Republic of Uzbekistan of 25 January 1997, the minimum share capital fund requirement for a subsidiary bank established by a non-resident bank or for local banks with foreign participation was set at the amount equivalent to US\$5,000,000.

In order to offer commercial banking and other financial services, it is necessary for the concerned legal entity to obtain a license from, and be registered with, the CBU. A bank need not register with any other state body. First, the applicant must submit a basic application to the CBU to open a commercial bank. After reviewing and approving the basic application, the CBU issues a preliminary consent which is conditioned by the submission within six months of the following documents: (i) complete information on the bank's financial assets, (ii) a draft of the bank's charter, (iii) complete information on the professional suitability of the person who is going to be the senior executive officer of the bank, and (iv) the report of a licensed auditor on the financial status of the founders. The founders of the bank can be legal entities and/or individuals, including foreign individuals and companies (but not public associations, public foundations or foreign state bodies).



No shareholder may hold more than 35 per cent of the outstanding shares of a bank; however, this restriction does not apply to state-owned shares or shares owned by foreign banks.

(f) Transport services.

#### General

Uzbekistan is a land-locked country; roads and railways are considered the major means of transportation. There are 78,400 km of roads, 90 per cent of which are paved. There are 3,600 km of railway track, 488.8 km of which are electrified. A five year plan to electrify 400 additional km of railway track by the year 2000 has been elaborated. There are external and internal air links. There is a system of domestic and international air transportation. The air transportation system has been connected to the global aviation communications system "SNTS-Gabriel." All internal air services are provided by the national air carrier, Uzbekistan Havo Yullari (Uzbekistan Airlines). Some international air services are provided by international carriers (Lufthansa, Turkish Airlines, Russia-based Transaero, etc.) Currently, international air operations provide connections to 18 non-CIS foreign cities. Water transportation services are offered in Uzbekistan, primarily over the Amudarya River at Termez.

The domestic motor transportation industry has undergone significant reform. By the end of 1996, more than 304 enterprises in the industry had been privatised, the ownership in each of these privatised enterprises has been distributed as follows: (i) 10 per cent-50 per cent of the shares were transferred to the concerned workers or labour collective, (ii) 24 per cent-39 per cent of the shares were sold at auction, and (iii) 26 per cent-51 per cent of the shares were retained by the state.

The Government continues the privatisation policy towards the state-owned transportation enterprises.

In particular, the privatisation of certain subdivisions of the state-owned joint-stock railway company "Uzbekiston Temir Yullari" began at the end of 1997.

The following tables indicate the goods turnover (million of tons-kilometres) and indicate the passenger turnover (million of passenger-kilometres).

Table VI-6: Goods Turnover ( million of ton-km)

Method of Transport	1995	1996
Motor Vehicles	2299.7	2168.4
Railroad	16831.0	19826.0
Air	106.0	121.0
Total	19236.7	22115.4

Table VI-7: Passenger Turnover ( million of passenger-km)

Method of Transport	1995	1996
Motor Vehicles	14,659.0	14,170.0
Railroad	2,498.0	1,999.0
Electric trolley-bus and trams	1,963.8	1,926.3
Air	2,984.0	2,993.0
Total	2,2104.8	21,088.3

All persons and legal entities offering transportation services to the public, including freight forwarders and persons or legal entities offering transportation-related repair or technical services to the transportation industry or the general public, must be licensed. This requirement is generally provided for by Cabinet of Ministers Resolution No. 215 of 19 April 1994, which gives the Cabinet of Ministers the authority to license participants in the transportation industry.

#### Motor Vehicle Transportation Services

In order to offer the following types of motor vehicle transportation services, a person or legal entity must hold the appropriate license:

- transportation of goods;
- transportation of passengers;
- transportation/forwarding services; and
- providing transportation-related technical or repair services to the transportation industry or the general public.

Under Cabinet of Ministers Resolution No. 215 of 19 April 1994, the Cabinet of Ministers retained authority to license transportation service providers. In the area of motor transport, the actual licensing procedure was initially carried out by the State Joint Stock Uzavtotrans Corporation (UC), the main supplier of motor transportation services in the country. UC is the state-owned transportation company and is comprised of some 450 separate motor transportation enterprises.

On 12 May 1996, the licensing of private motor carriers was changed when the Cabinet of Ministers passed Resolution No. 175 "On the Approval of the Licensing Provisions for Transportation and Telecommunication Activities." Under Resolution No. 175, firms desiring to offer transportation services must now be licensed by the Cabinet of Ministers Commission on Transportation and Telecommunications Licensing. the State Joint Stock Uzavtotrans Corporation still plays a role in the license application process. Resolution No. 175 provides that an enterprise engaging in offering any of the following types of transportation services needs to obtain a license: (i) intra-city passenger transportation; (ii) inner-metropolitan and long distance passenger and cargo transportation; (iii) international passenger and cargo transportation; (iv) the operation of motor transportation vehicle terminals and ticket sales offices; and (v) domestic and international freight forwarding services.

Table VI – 8: Volume of Transportation of Goods and Passengers in 1996

Cargo	Passengers
213.3 million tons	1,8321,000
97 per cent of 1995 level	100.7 per cent of 1995 level

#### Air Transportation

Air transportation services are regulated by the Air Code of 7 May 1993. The Air Code specifies that only the National Aviation Company "Uzbekistan Khavo Yullari" is entitled to offer domestic air transportation services. In addition to regular international and domestic flights, Uzbekistan Airlines "Uzbekistan Khavo Yullari" performs the following activities:

- regular service carriage of passengers and cargo;
- charter service; and
- aircraft and crew leasing.

Under Cabinet of Ministers Resolution No. 175 of 12 May 1996, all firms rendering transportation services must be licensed by the Cabinet of Ministers' Commission on Transportation and Telecommunications Licensing. Uzbekistan Airlines "Uzbekistan Khavo Yullari" participates in the licensing process.

At present, seven foreign-based air carriers have been licensed to offer international air transportation services in the country.

#### Railroad Transportation

A Presidential Decree of 7 November 1994 established Uzbekistan Temir Yullari, the State-owned joint stock railway company, (Uzbekistan Railways). Cabinet of Ministers Resolution No. 551 of 14 November 1994 "On Organisational Issues of Activities of the State-owned Joint-Stock Railway Company "Uzbekiston Temir Yullari" provides that Uzbekistan Railways may determine in its own discretion the appropriate method for operating the railway system. Uzbekistan Railways carries out all railway transportation services and is considered a natural monopoly.

Resolution No. 551 also provides that "Uzbekiston Temir Yullari" is to be the legal successor to all rights and obligations of the now defunct Central Asian Railway Company with respect to all railway sections, associations, enterprises, and agencies located in the Republic of Uzbekistan.

Cabinet of Ministers Resolution No. 175 of 12 May 1996 provides that private companies and enterprises providing services in the field of rail transportation are subject to licensing by the Cabinet of Ministers Commission on Transportation and Telecommunications Licensing. The state-owned joint-stock railway company "Uzbekiston Temir Yullari" participates in the licensing process.

#### (g) Insurance

Fundamental changes in the market for insurance services are characterised by the transition from a system where insurance was provided by a single state-owned company to a market system which provides for the existence of both state companies (the National Export-Import Insurance Company "Uzbekinvest," the State Insurance Joint Stock Company "Uzagrosugurta," and the State Insurance Joint Stock Company "Kafolat") and more than 50 insurance companies having a mixed form of ownership, including four companies with foreign participation. The law of the Republic of Uzbekistan "On Insurance" passed on 6 May 1993 is the basis for the development of the insurance industry.

The law covers both voluntary and mandatory insurance.

Pursuant to Articles 922 and 923 of the Civil Code of the Republic of Uzbekistan of 1 March 1997, mandatory insurance must be issued in accordance with the conditions and procedures determined by the current legislation.

The following are subject to mandatory insurance requirements in the Republic:

- the transportation of passengers;
- the lives of experts engaged in high-risk occupations; and
- the property of agricultural enterprises.

All other types of insurance are voluntary. The conditions of voluntary insurance, as well as the rights and obligations of the insurer and the insured, are determined in accordance with the concerned insurance agreement.

The National Export-Import Insurance Company "Uzbekinvest" created pursuant to a Presidential Decree is a multi-purpose insurance organisation functioning on a commercial basis and having three basic areas of operation:

- (i) insuring Uzbek exporters against political and commercial risks in foreign countries;
- (ii) insuring, through its London-based joint venture "Uzbekinvest International", foreign investors operating in the territory of the Republic of Uzbekistan against political risks.
- (iii) providing general insurance services to domestic and foreign investors of the Republic of Uzbekistan.

In order to carry out insurance activities, an enterprise must register with the concerned khokimiyat, the Ministry of Justice and the Ministry of Finance. Registration is performed automatically and in a non-discriminatory manner; the examination of the application is usually completed within a month, but this mechanism is being constantly improved.

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