



# **CURRENT SOCIAL AND ECONOMIC DEVELOPMENT & INVESTMENT CLIMATE IN THE REPUBLIC OF UZBEKISTAN**

**K.SHAKIROV**

**Head of Asian & Pacific Countries Department  
Ministry for Foreign Economic Relations, Investments and Trade  
Republic of Uzbekistan**

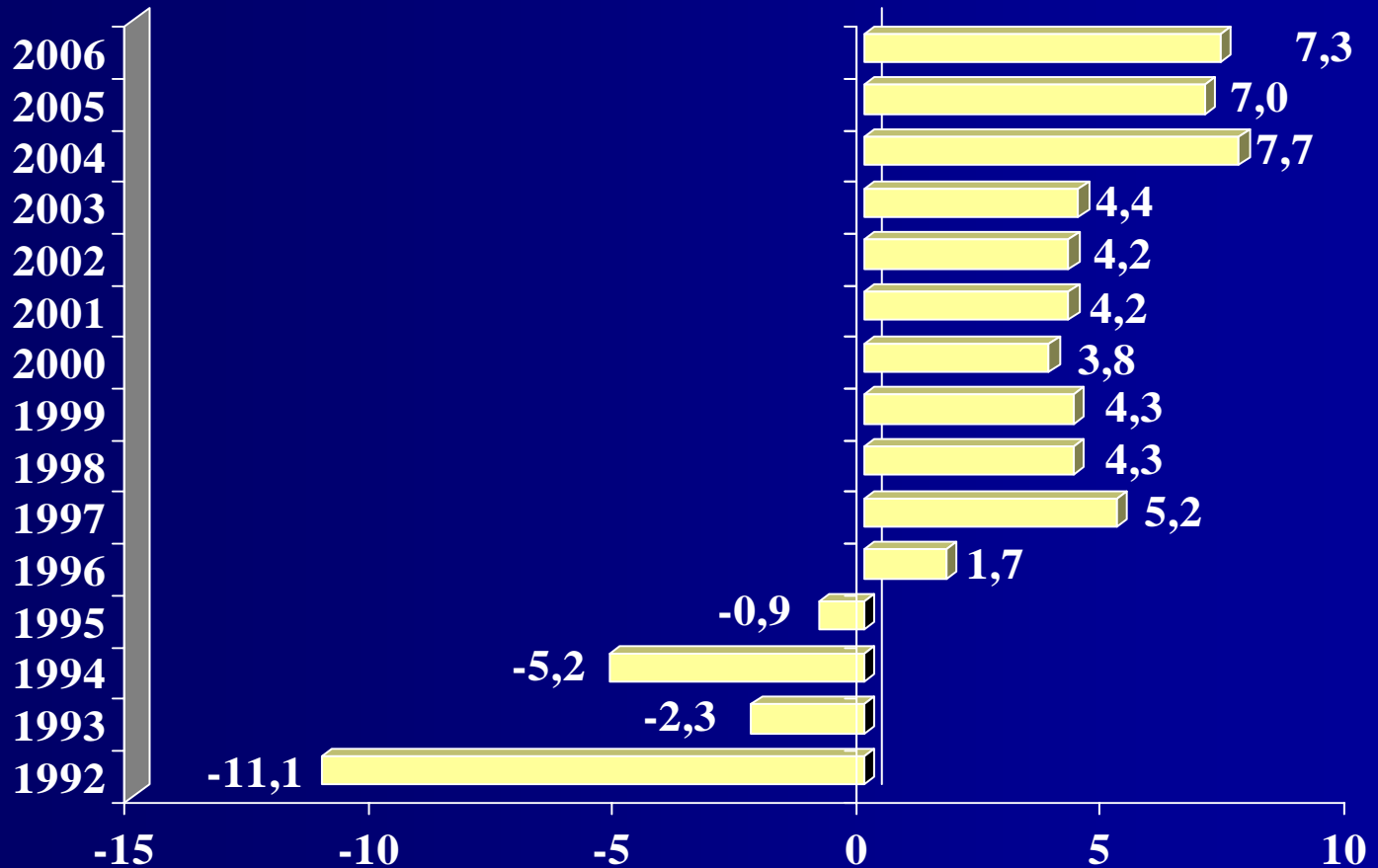
# **FIVE MAJOR PRINCIPLES OF FUNDAMENTAL CONCEPT:**

- 1. PRIORITY OF THE ECONOMY OVER POLICY**
- 2. THE STATE IS MAJOR REFORMER AND THE  
GUARANTOR OF REFORMS**
- 3. SUPERIORITY OF THE LAW**
- 4. STRONG SOCIAL POLICY**
- 5. CONSISTENT AND STEP-BY-STEP  
TRANSITION TO MARKET ECONOMY**

# MAIN MACROECONOMIC INDICATORS

	2001	2002	2003	2004	2005	2006
<b>GDP growth, %</b>	4.2	4.2	4.4	7.7	7.0	7.3
<b>Budget deficit, surplus as % of GDP</b>	-1.0	-0.8	-0.4	-0.4	+0.1	+0,5
<b>Inflation, %</b>	26.6	21.6	3.8	3.7	7.8	6.8
<b>Growth rates</b>						
<b>Industry, %</b>	8.1	8.5	6.2	9.4	7.3	10.2
<b>Agriculture, %</b>	4.5	6.1	5.9	10.1	6.2	6.2

# GDP GROWTH IN %

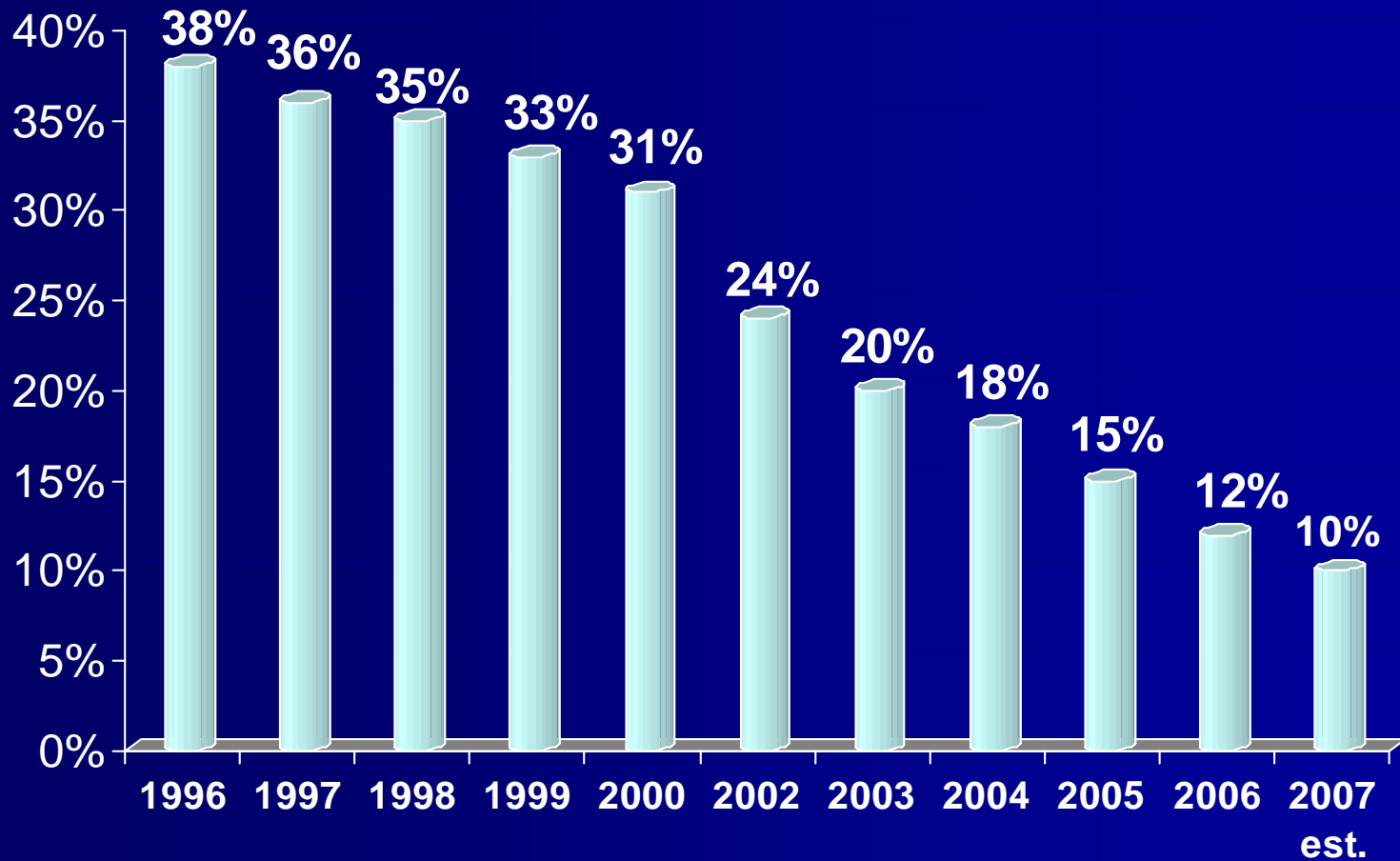


# INFLATION RATE



Moderately rigid monetary and credit policy in last four years has allowed to support inflation rate at rather low level.

# PROFIT (INCOME) TAX RATES



# TAX SYSTEM OF THE REPUBLIC OF UZBEKISTAN

## MAIN TAXES AND PAYMENTS:

Income tax – 10% (in 2000 – 31%).

VAT – 20%.

Property tax – 3,5% to residual cost.

Land tax – on the rates, set depending on location land plots.

Mandatory deductions to state, target and non-budget funds: Road Fund – 1.5%; Foundation of school education – 1% and Pension Fund – 0.7% of the volumes of sale of products with deduction of VAT and excise taxes.

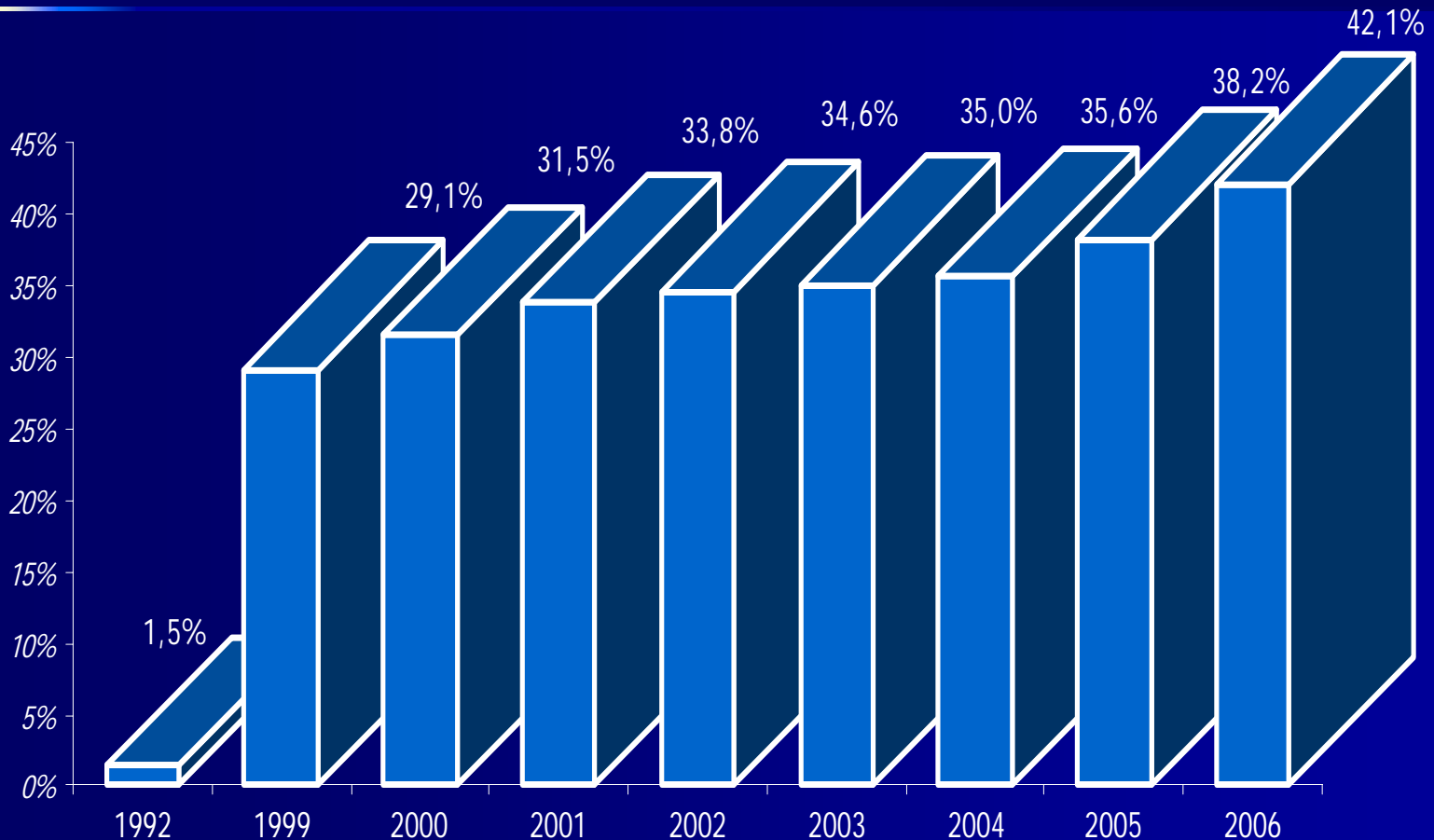
Single social tax – 24% (in 2000 – 40%).

Tax on income of individuals (max.rate) – 25% (in 2000 – 45%).

## SIMPLIFIED TAXATION SYSTEM:

Single tax for micro-firms and small enterprises from the volumes of sale of goods (works, services) – 13%, including mandatory deductions to state, target and non-budget funds.

# SHARE OF SMALL AND PRIVATE BUSINESS IN GDP





# ATTRACTION OF FOREIGN INVESTMENTS IN UZBEKISTAN

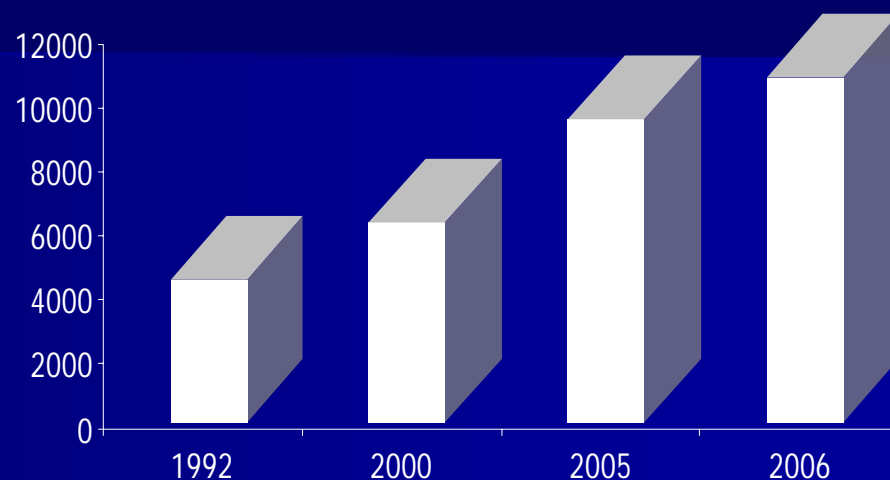
- Attracted more than 20 bln. USD of Foreign investments
- For the last six years direct foreign investments increased 10 times
- Attraction of direct foreign investments in 2006 increased by 25.4% and exceeded 1 bln. USD

- More than 3500 enterprises with foreign investments and 800 representatives of foreign companies from 85 countries of the world are registered in Uzbekistan
- The total volume of created authorized fund of the enterprises with foreign investments is more than 1.8 bln. USD

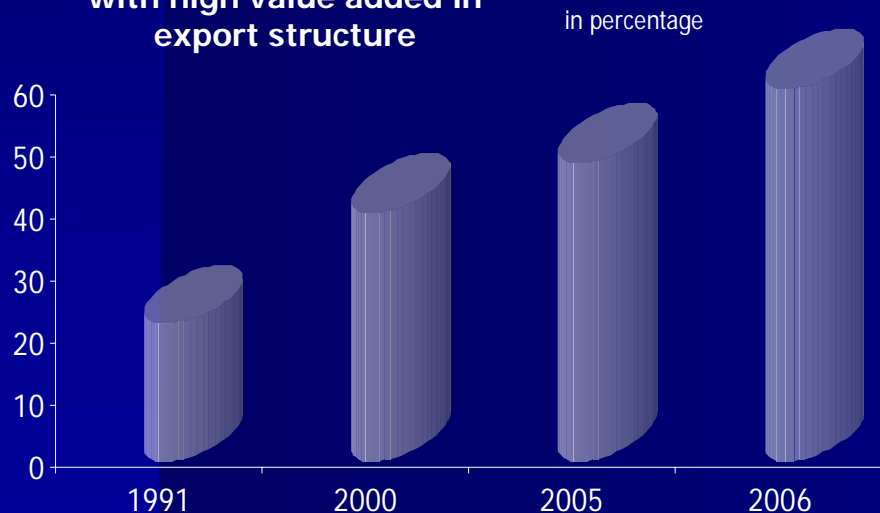
# FOREIGN TRADE

**Foreign trade in 2006:**  
Turnover growth – 13.5 %  
Export growth – 18.1 %, including goods' export -31.5%  
Import growth – 7.4 %  
Balance - 2 bln. USD

Turnover in mln. USD

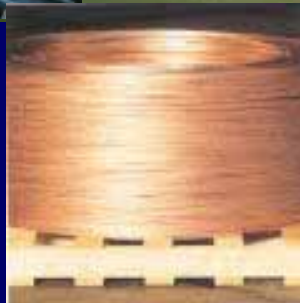


The volume of the products with high value added in export structure



The volume of the products with high value added, the share of which in total exports increased from 22% in 1991 up to 60% in 2006.

# INDUSTRY OF THE REPUBLIC OF UZBEKISTAN



# **FAVORABLE INVESTMENT ENVIRONMENT OF UZBEKISTAN IS BASED UPON THE FOLLOWING LEGISLATIVE ACTS:**

- **Law On Guarantees & Measures of Protection of Foreign Investors Rights**

- **Law On Foreign Investments**

- **Resolution On Additional Incentives & Exemptions Provided for Enterprises with Foreign Investments**

- **Resolution On Additional Measures on Encouragement of Export of Products Produced by Enterprises with Foreign Investments**

# DECREE OF THE PRESIDENT ON ENCOURAGEMENT OF FOREIGN INVESTMENTS

ACCORDING TO THE PRESIDENTIAL DECREE FOREIGN INVESTORS ARE EXEMPTED FROM THE FOLLOWING:

•Income (profit) taxes on their main activity;

•property tax;

•Tax on microfirms and small and private enterprises;

•Tax for development of social infrastructure;

•Road fund tax;

•Ecological tax;

THESE TAX PRIVILEGES ARE FOR THE DIRECT FOREIGN INVESTMENTS AS FOLLOWS:

- \$300.000-\$3m - for 3 years;

- \$3m-\$10m - for 5 years;;

- more than \$10m - for 7 years.

# GUARANTEES FOR FOREIGN INVESTORS:

- Legislation stability;

- Foreign investments and other assets of foreign investors of the Republic of Uzbekistan are not subject to nationalization;

- Foreign investor's profits gained in the Republic of Uzbekistan can be re-invested within Uzbekistan or used in any other way at the foreign investor's discretion;

- Free transfer of funds in foreign currency to and from the Republic of Uzbekistan without any restrictions;

- Foreign investments return due to termination of investment activity;

- Transfer of salary abroad;

- Insurance protection and guarantees from political and other risks.

# ECONOMIC COOPERATION BETWEEN UZBEKISTAN AND JAPAN



Representative offices of Japanese  
Companies in Uzbekistan – 21  
Joint Ventures – 9

Total Japanese Investment –  
exceeds \$1.9 bln.

Yen Loans - \$911 mln.

JBIC Commercial Loans - \$761 mln.

Japanese regional offices:  
JICA, JETRO, JICE,  
Uzbek-Japanese Center

# PERSPECTIVE COOPERATION DIRECTIONS

- Oil & Gas Industry

- Electric Power Industry

- Mineral Resources

- CDM Projects

- Automobile Industry

- Information Technologies

- Privatization

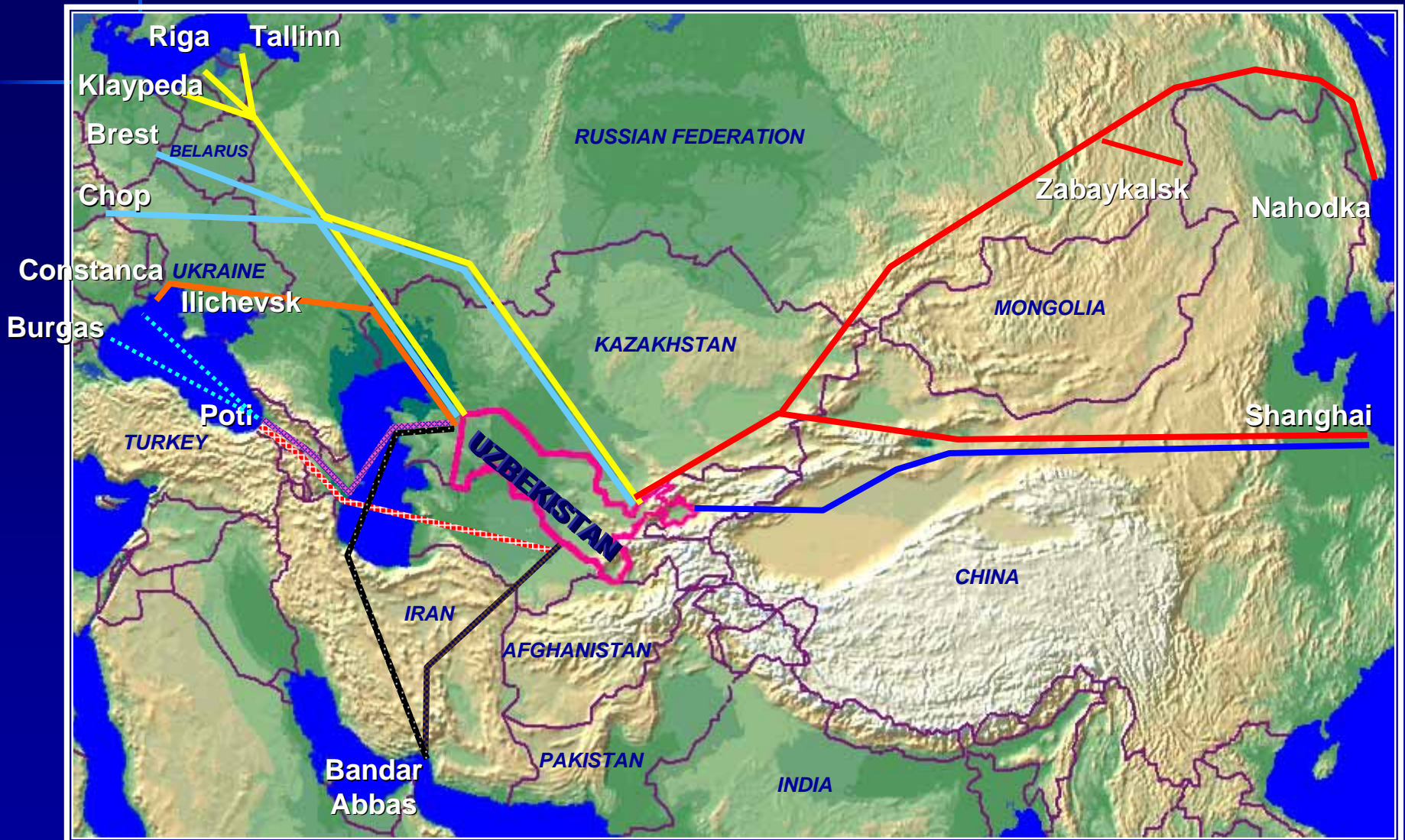


Establishment of production in Uzbekistan will provide for broad access of foreign companies to the rapidly developing markets of Central Asian countries, as well as to the markets of CIS countries with which Uzbekistan has free trade zone.



- Uzbekistan – 26 mln. people
- Countries of Central Asia – 55 mln. people
- CIS countries market – 280 mln. people
- Agreement on free trade (duty free) zone (Russia, Ukraine, Belarus, Kazakhstan, Georgia, Azerbaijan, Moldova, Kyrgyzstan, Tajikistan, Turkmenistan)

# MAIN TRANSPORT ROUTES OF EXPORT UZBEK GOODS





Dostyk Urumqi

Sari-Agach

Alashankou

Farab

Qingdao

Bandar-Abbas

Chittagong

Mumbai

Hochiminh



**THANK YOU FOR YOUR ATTENTION!**