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**Working Party on the
Accession of Uzbekistan**

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ACCESSION OF UZBEKISTAN

Questions and Replies to the Memorandum on the Foreign Trade Regime (Document WT/ACC/UZB/2)

In a communication, dated 8 December 1994 (PC/W/20), the Government of Uzbekistan applied for accession under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (WTO). Having regard to the Decision adopted by the General Council on 21 December 1994, the existing Working Party on the Accession of Uzbekistan to the GATT 1947 continued as a WTO 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 document WT/ACC/UZB/2, Members had been invited to submit questions in writing concerning the foreign trade regime of Uzbekistan. The initial questions submitted by Members and the replies thereto provided by the authorities of Uzbekistan are reproduced hereunder. The attachments mentioned in this document are listed in document WT/ACC/UZB/3/Add.1 and are available in the Secretariat (Accessions Division, Room 1126) for consultation.

Delegations wishing to raise additional questions concerning the foreign trade regime of Uzbekistan might inform the authorities of Uzbekistan (wish a copy to the Secretariat) of such questions in advance of the next meeting of the Working Party, so that considered replies can be made available by Uzbekistan to Members at the time of the Working Party meeting.

CONTENTS

	Question Number	Page Number
II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE		
2. Economic Policies		
(a) Main directions of the ongoing economic policies, tactical and strategic goals of economic policies, pricing policy, economic development plans, privatization plans, sectoral priorities, regional development plans, etc	1-6	1
(ii) <i>Pricing policy</i>	7-8	2
(iii) <i>The system of the state order</i>	9-12	3
(v) <i>Economic development plans/sectoral priorities</i>	13-14	4
(b) Monetary and fiscal policies		
(ii) <i>Taxes</i>	15-16	5
III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES AFFECTING FOREIGN TRADE IN GOODS AND TRADE IN SERVICES		
1. Powers of executive, legislative and judicial branches of government	17	5
IV. POLICIES AFFECTING TRADE IN GOODS		
1. Import Regulations	18-21	6
(b) Characteristics of national tariffs		
(iii) <i>Customs tariff nomenclature</i>	22	7
(d) Other duties and charges, specifying any charges for services rendered		
(i) <i>Customs fees/charges</i>	23	7
(e) Quantitative import restrictions, including prohibitions, quotas and licensing systems		
(ii) <i>Import prohibitions</i>	24	8
(h) Customs valuation	25	8
(j) Pre-shipment inspection	26-28	8
(k) Application of internal taxes on imports		
(ii) <i>Excise tax</i>	29	9
(l) Rules of origin	30-31	10
(m) Anti-dumping regime	32-33	10
(n) Countervailing duty regime	34-35	11
2. Export Regulation		
(d) Export licensing procedures		
(i) <i>Prohibitions</i>	36	11
(e) Other measures, e.g. minimum export prices, voluntary export restrictions, orderly marketing arrangements		
(i) <i>Minimum export prices</i>	37	12
3. Internal policies affecting foreign trade in goods		
(c) Sanitary and phytosanitary measures, including measures taken with respect to imports	38-41	12
(e) State-trading practices (Annex 6 refers)	42-47	13
(j) Government-mandated counter-trade and barter	48	16

	Question Number	Page Number
(l) Government procurement practices, including general legal régime and procedures for tendering, dealing with tenders and award of contracts	49-53	17
4. Policies affecting foreign trade in agricultural products	54-58	18
5. Policies affecting foreign trade in other sectors	59	19
VI. TRADE-RELATED SERVICES REGIME		
1. General	60-63	20

II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE

2. Economic Policies

(a) Main directions

Question 1.

Uzbekistan has undertaken measures to reduce the dependence on the importation of grain, meat and milk products. The Memorandum notes that the Government has made some steps to reduce the area under cotton and increase the production of grain, and that irrigated land under cereal crops increased as did the annual production of grain. Could Uzbekistan provide information on the programmes the Government has put in place to encourage grain production?

Answer:

According to the Decree of the President of the Republic of Uzbekistan ¹ÓĬ-1978, 18 March 1998 the Programme of economic reforms in agriculture was adopted for the period from 1998 to 2000 and the Republican Commission for co-ordination of works was created by this programme. This programme is directed to restructuring of Uzbekistan's agriculture sector with gradual reduction of the cotton monopoly and increase in grains production.

Question 2.

Uzbekistan notes that in order to increase the production of milk, meat and poultry, the Government introduced tax privileges and created conditions for extending loans on a priority basis. Could Uzbekistan provide more information on the tax privileges and the priority loans to milk, meat and poultry producers?

Answer:

For producers of milk, meat and poultry, lowering VAT to the level of 15 per cent from the existing single rate of 20 per cent VAT. In addition, these producers are exempt from property taxes.

Question 3.

Uzbekistan says that the Government provided state support to enterprises of "Uzmyasomolprom" (Uzbek Meat and Milk Production) that provided more incentives. Could Uzbekistan provide information on the nature of the state support to these enterprises, particularly the incentives provided?

Answer:

A Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹290, was adopted with the purpose of stimulation and efficacious function of "Uzmyasomolprom" enterprises on 19 August 1996, entitled "On measures for deepening of processes of privatisation, shearing and state support for "Uzmyasomolprom" enterprises.

Question 4.

Does Uzmyasomolprom export any products?

Answer:

Yes, it does. The enterprises comprised in to "Uzmyasomolprom" Association determine by themselves expediency and volume of export-import operations. For instance, within the period of 1999 they were expected to export products (juice, drink, cakes, canned meat) to a value of about US\$ one million.

Question 5.

Does the Government accord any exclusive or special privileges to Uzmyasomolprom of a kind referred to in Article XVII of GATT 1994?

Answer:

No, it does not.

Question 6.

Uzbekistan's Memorandum indicates the government has introduced measures designed to obtain self-sufficiency in oil production. Could Uzbekistan provide details on the types measures that have been employed to increase oil production? Are subsidies involved?

Answer:

In order to increase oil production, within the State Investment Programme in the Republic of Uzbekistan realised a number of projects for modernisation of existing infrastructure, construction of new oil extracting and processing enterprises with attraction of foreign investments and loans. State subsidies are not involved.

(ii) Pricing policy

Question 7.

Uzbekistan states that there are only a few items still subject to direct price regulation. Could Uzbekistan indicate what these goods are and what plans they have in place for the removal of these controls?

Answer:

In accordance with the Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹165, 31 March 1997, prices and tariffs on goods (works and services) of enterprises related to natural monopolies are under the State regulation.

Question 8.

Uzbekistan says that all direct and indirect subsidies foodstuffs (except flour) and consumer goods were eliminated. Can Uzbekistan provide information on the direct and indirect subsidies for flour?

Answer:

Since 1997 in Uzbekistan, subsidies for all foodstuffs, including flour, are abolished.

The Tax Code of the Republic of Uzbekistan provides a favourable rate of VAT in 15 per cent level for foodstuffs of desperate extremity (flour, bread, meat, milk and milkstuffs) within the existing single rate of VAT-20 per cent.

(iii) The system of the state order

Question 9.

Uzbekistan refers to the system of state order for cotton and grain. We understand from Annex 6 (state trading enterprises), that the procurement of the state order share is handled by the state joint-stock corporation for wheat products, "Uzdonmakhsulot", and for cotton, the state joint-stock association on the processing and sale of cotton production "Uzdavpakhtasanoatsotish". Could Uzbekistan provide more information on the system of state order?

Answer:

The system of state order in Uzbekistan is functioning with the purpose of state regulation for production of desperate extreme foodstuffs which have the strategic importance for economy of the Republic. This is a temporary measures during transition to civilised market relations, aimed at the support of volumes output of national food-stuffs and ensuring of financial base for reforms held in Uzbekistan by using of tariff regulation.

Question 10.

Could Uzbekistan provide more information on the uses of products purchased for the state order?

Answer:

In the first turn, products purchased for by state order are directed to satisfy domestic needs of population and enterprises of the Republic. Some of these products from this group are of high liquidity on the world market. At the expense of export of these products, the Republic provided the inflow of free converting currency which is necessary for realisation of reforms.

Question 11.

Are there are any other products subject to the system of state order?

Answer:

No, there are not.

Question 12.

Does Uzbekistan intend to completely eliminate the system of state order? What is the time-frame for such elimination?

Answer:

According to the Decree of the Cabinet of Ministers of the Republic of Uzbekistan '61, of 3 February 1997 the Control Council of the Cabinet of Ministers was created to co-ordinate management and deepening of economic reforms in the system of grains-staff. This Decree, other

normative statements of Uzbekistan, programmes of economic reforms held in Uzbekistan aimed at gradual elimination of the state order system.

The time-frame for realisations of these plans are fixed by successful results of economic reforms.

(v) *Economic development plans/sectoral priorities*

Question 13.

The Government of Uzbekistan has provided a useful summary of its economic development plans by industrial and sectoral priorities. Can Uzbekistan provide more detail on these programmes, specifically any concessions, privileges, subsidies or other benefits that are to be made available and the criteria for eligibility?

Answer:

With the purpose of efficacious realisations of economic reforms, the Government of Uzbekistan passed decrees to develop following branches of national economy:

- The Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹171, 29 March 1994 "On State Programme for deepening of processes for state liberalisation and privatisation in the Republic of Uzbekistan".
- The Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹344, 28 August 1995 "On State Programme for support of development of small and private businesses in the Republic of Uzbekistan".
- The Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹344, 28 August 1995 "On National programme for reconstruction and development of communication network in the Republic of Uzbekistan".
- The Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹110, 12 March 1998 "On State Programme for development of export potential of the Republic of Uzbekistan".

Question 14.

Uzbekistan notes under sectoral measures for the automobile industry, that priorities and plans include the expansion of exports to markets of neighbouring countries. How is Uzbekistan to achieve this? Specifically, does Uzbekistan intend to use export subsidies for this purpose?

Answer:

With the purpose of development of the automobile industry, the Government of the Republic of Uzbekistan passed a number of decrees to increase export realisation of products of the "UzDaewooAuto" joint-venture at the expense of development of the distribution system, creating of service centres, etc.:

- The Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹118, 26 March 1996;
- The Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹304, 3 September, 1996;
- The Decree of the Cabinet of Ministers of the Republic of Uzbekistan ¹302, 17 June 1997, etc.

In accordance with above mentioned decrees of the Government of the Republic of Uzbekistan, using export subsidies for this purpose is not intended.

(b) **Monetary and fiscal policy**

(ii) *Taxes*

Question 15.

Could Uzbekistan explain the manner in which VAT is applied to imported products: Are all imported products subject to the same rate of VAT in accordance with Article I of GATT 1994?

Answer:

According to the Tax Code of the Republic of Uzbekistan the rate of VAT for all types of product is 20 per cent. However, in accordance with the decree of the Government of the Republic of Uzbekistan for some social important foodstuffs (meat, flour, grain, milk and milkstuffs) the rate of VAT is 15 per cent.

Question 16.

Are there any cases where imported products are subject to a rate of VAT that exceeds the rate applied to domestic products?

Answer:

There are no cases where imported products are subject to a rate of VAT that exceeds the rate applied to domestic products.

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

Question 17.

Uzbekistan states that the foreign and trade policy is formulated and enforced by the Cabinet of Ministers with the involvement of a number of Ministries, agencies and state bodies. However local authorities in rayons and cities have responsibility for the imposition of local taxes and fees. Can Uzbekistan advise whether the central government has authority to implement in full measures that will ensure conformity of laws and practices with the WTO, or whether sub-central authorities have jurisdiction in any areas covered by the WTO?

Answer:

According to the Law of the Republic of Uzbekistan "On state power of local authorities" (2 September 1993) the regional and city Council of People's Deputies have the following powers: fixing of local taxes and dues, providing privileges for local taxes and duties entering local budget in accordance with current legislation of the Republic of Uzbekistan.

Local taxes and duties are indicated as follows: taxes to advertisement, spare parts of cars, duties for cleaning populated areas and others. All these taxes and duties function in local areas and stipulated to settle local problems.

The rates of above mentioned taxes and duties are not very high, neither connected with foreign economic activity of the country nor affect economic development of Uzbekistan.

IV. POLICIES AFFECTING TRADE IN GOODS

1. Import Regulations

Question 18.

We are concerned that the requirements for import contract registration could operate as an import restriction or non-tariff barrier. Could Uzbekistan please explain the circumstances under which contract registration might be refused?

Answer:

The main reasons under which contract registration might be refused are:

- discrepancy of contracts with generally accepted standards of world trade rules and current legislation of the Republic of Uzbekistan;
- too high prices of the imported goods comparing with prices for the same goods on the world market on the day of signing a contract. In this case the Ministry for foreign economic relations and consult companies assist importers to select suitable suppliers;
- indebtedness of an importer to the budget;
- equipment's and technologies imported by state representatives which are old-fashioned, obsolete and economically inefficient (based on conclusions of State committee of science and technology, Uzstate standard, State committee of nature of the Republic of Uzbekistan);
- imported technologies (patent, licences, know-how), equipment's and other products which are ecology harmful (based on conclusions of State committee of nature, Uzstate standard, the Ministry of public health of the Republic of Uzbekistan);
- negative conclusion for imported medicines of vegetable origin and products of biology origin used by pharmaceutical industry (based on conclusions of the Ministry of Public Health and "Uzpharmindustry" concern).

Groundless refusal of registration might be appealed by law.

It is important to point out that only import contracts which are not provided with own currency are registered by the Ministry of Foreign Economic Relations. The others are not subject registration in the Ministry of Foreign Economic Relations.

Question 19.

In what way is the process used to "protect the interests of the state"?

Answer:

Protection of interests of the state is provided by analysis of prices including customs evaluation of goods imported by state enterprises as well as of imported goods the payment for which envisages conversion of national currency from centralised state resources to freely convertible currency.

Hereby three targets are attained:

- import of goods at adequate prices which enables economic establishments to use funds effectively and to pay respective customs duties;
- prevention of currency outflow from the Republic;
- reduction of imported goods' prices that positively effects prices at the consumers' market.

Question 20.

How is the system used to protect consumers from "low quality goods"?

Answer:

Registration of contracts foresees preclusion of import into the Republic of Uzbekistan of outdated machinery and equipment, goods of low quality and products with remaining service life less than 80 per cent.

Uzbek customs officials check the identity of imported goods to conditions and quality requirements stipulated in the contract.

Question 21.

Does Uzbekistan plan to retain this system once it has in place WTO consistent policies in relation to standards, quarantine, etc?

Answer:

The Republic of Uzbekistan plans to bring its legislation and normative acts in line with WTO requirements related to standards, guarantees, etc., gradually.

(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

(iii) Customs tariff nomenclature

Question 22.

Is Uzbekistan using the 1996 or 1992 versions of the Harmonised System for its customs tariff nomenclature?

Answer:

At present Uzbekistan is using the 1992 version of the Harmonised Commodity Description and Coding System for its customs tariff nomenclature. On 17 November 1998 the Republic of Uzbekistan joined the International Convention on the Harmonised Commodity Description and Coding System, which will enter into force in Uzbekistan on January 2000. To this end it is planned to switch over to the 1996 version of customs tariff nomenclature developed on the basis of the Harmonised Commodity Description and Coding System in Uzbekistan from 1 January 2000.

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

(i) Customs fees/charges

Question 23.

The rates of fees for customs formalities applied by Uzbekistan applies are inconsistent with Article VIII of GATT 1994 in that there is a requirement that these fees are limited to the approximate cost of services rendered and this cannot be achieved by an ad valorem fee. Does Uzbekistan intend to change this programme before accession to the WTO?

The rates of fees for the customs services specified in Tables IV-2 and IV-3 seem excessive. Does Uzbekistan propose to review the charges to ensure that the fees are commensurate with the cost of providing the service, as required by Article VIII of GATT 1994?

Answer:

Rates of fees for customs formalities related to goods (works, services) in Tables IV-2, IV-3 correspond to average weighted payments for services provided by different organisations and enterprises and are considered acceptable under conditions of Uzbekistan. At the same time, as it is shown in the above-mentioned tables, certain measures are taken in the sphere of customs fee collection for customs services taking into account actual expenses.

(e) Quantitative restrictions of import, including prohibitions, quota and licensing systems

(ii) *Import prohibitions*

Question 24.

We note that there is an import prohibition on ethyl alcohol. Is there a similar ban in place in Uzbekistan on the production and/or sale of domestically produced ethyl alcohol?

Answer:

In Uzbekistan there is an import and transit prohibition on ethyl alcohol according to the Decision of the Government. But there is no prohibition on production and/or sale of domestically produced ethyl alcohol.

(h) Customs valuation

Question 25.

Can Uzbekistan advise whether there are further steps that it needs to take to bring its customs valuation regime into full conformity with the WTO? What plans are in place to achieve this?

Answer:

In accordance with the Law of the Republic of Uzbekistan "On Customs Tariff" customs valuation of imported goods has been introduced in the Republic of Uzbekistan since 1 January 1998. Provisions of this Law are in full conformity with WTO requirements. In order to achieve full implementation of customs valuation in practice, customs officials and officials in charge of filling in declarations were trained. Within the framework of TACIS programme EC experts taught specialists to apply customs valuation. Workshops on customs evaluation procedure were held.

(j) Preshipment inspection

Question 26.

There is insufficient information at section IV.1.(j) to assess the conformity of Uzbekistan's PSI laws and practices with WTO requirements. Could Uzbekistan provide a copy of their laws on this matter?

Answer:

Resolution No 534 "On Measures for Carrying out Independent Experts' Examination of Contracts and Preshipment Inspection of Imported Goods" issued by the Cabinet of Ministers of the Republic of Uzbekistan on 3 December, 1997 refers (document WT/ACC/UZB/3/Add.1).

Question 27.

Can more details be provided of the PSI system and its operation?

Answer:

In accordance with Resolution No 534 issued by the Cabinet of Ministers of the Republic of Uzbekistan on 3 December 1997 expert independent examination of contracts and preshipment inspection of imported goods is carried out. Regulations on procedure of carrying out independent examination of import contracts and preshipment inspection of goods imported into the Republic of Uzbekistan (Annex 1 to the Resolution) was adopted, Co-ordinating Council was established with the participation of ministries, departments and consulting firms to take operative decisions on issues emerging while carrying out contract examination and preshipment inspection. Preshipment inspection is not binding.

Question 28.

Does Uzbekistan have in place a programme to enhance its Customs administration and processes in order to obviate resort to PSI? If so, what is the timeframe for this process? If Uzbekistan does not have such a plan in place, are there plans to develop one?

Answer:

In future the Republic of Uzbekistan will take measures to enhance customs administration and national organisations dealing with expert examination and certification of products as well as to engage specialised private companies in preshipment inspection, fulfilment of which is not obligatory.

(k) Application of domestic taxes to imports

(ii) Excise tax

Question 29.

Annex 9 to the Memorandum (WT/ACC/UZB/2/Add.2) indicates that there of excise tax applied to new cars that are made and delivered from the Russian Federation and cars from elsewhere. This is inconsistent with the WTO. What plans does Uzbekistan have to rectify this?

Answer:

In accordance with the Agreement on Free Trade between the Republic of Uzbekistan and the Russian Federation, Resolution No 188 issued by the Cabinet of Ministers of the Republic of Uzbekistan on 14 April 1997, a rate of excise tax for new cars produced in the Russian Federation and imported from the Russian Federation was set at the level of 5 per cent of the contract value. The Russian Federation also fixed a 5 per cent rate of excise tax for new cars produced in the Republic of Uzbekistan and imported from the Republic of Uzbekistan. This situation is not inconsistent with the provisions of WTO Agreements concerning relations between states that are not WTO members.

(l) Rules of origin

Question 30.

Although there are a few general points at section IV.1.(i) of the Memorandum on Uzbekistan's law and requirements for certificates of origin and the statement that the law "On the Customs Tariff" complies "...on the whole ..." with WTO requirements, the Memorandum does not provide sufficient detail to provide a full assessment of this claim. How Uzbekistan plan to administer the obligations it will assume under the Agreement on Rules of Origin? What is the timeframe Uzbekistan envisages for development and implementation of standards in this area?

Answer:

At present new "Rules of Origin of Goods" are being worked out and in 1999 they will be adopted. The new Rules will comply with the requirements of GATT/WTO Agreement related to trade with all countries of the world.

Question 31.

Could Uzbekistan please provide a copy of the current relevant laws and administrative processes?

Answer:

A detailed procedure for determination of the country of goods' origin is given in the "Rules on determination of the country of goods' origin" which were developed by the Ministry for Foreign Economic Relations and approved by the State Customs Committee, the Ministry of Finance and the Central Bank of the Republic of Uzbekistan for further registration at the Ministry of Justice.

(m) Anti-dumping regime

Question 32.

We will be interested to ensure that Uzbekistan's anti-dumping regime will be consistent with WTO requirements. When will Uzbekistan's Law "On Anti-dumping duties, which is currently being drafted, be available for examination by the Working Party?

Answer:

The date of the Law availability for examination by the Working party will be given additionally.

Question 33.

Uzbekistan refers to producers of "similar or competitive goods". Bearing in mind that WTO Agreement on Implementation of Article VI of GATE" 1994 sets out what is meant by "like product" for the purposes of anti-dumping. Could Uzbekistan clarify what it intends by the term "competitive goods", which suggests a wider definition than intended by the WTO Agreement?

Answer:

The term "competitive goods" covers goods which meet the market's requirements in all characteristics and which are able to compete with similar imported goods. The necessity of

introduction of this term is justified by the fact that goods manufactured by producers of Uzbekistan to some extent do not meet the requirements of the world market. That is why this term is used rather than "domestic utilisation".

(n) **Countervailing duty regime**

Question 34.

We will be interested to ensure that Uzbekistan's countervailing duty regime will be consistent with WTO - requirements. When will Uzbekistan's Law "On Countervailing Duties", which is currently being drafted, be available for examination by the Working Party?

Answer:

The date of the Law availability for examination by the Working party will be given additionally.

Question 35.

Uzbekistan refers to producers of "similar or competitive goods". Bearing in mind that WTO Agreement on Subsidies and Countervailing Measures sets out what is meant by "like product" for the purposes of countervailing duties. Could Uzbekistan clarify what it intends by the term "competitive which suggests a wider definition than intended by the WTO Agreement?"

Answer:

See explanations above.

2. Export Regulations

(d) **Export licensing procedures**

(i) *Prohibitions*

Question 36.

Annex 11 to the Memorandum (WT/ACC/UZB/2/Add.2) provides a list of products, the export of which is prohibited. Article XI of GATT 1994 and the WTO Agriculture Agreement do not permit such export bans. Could Uzbekistan explain the reasons why these products are banned from export? Can Uzbekistan indicate, the plans it has to remove these measures, or to adjust them so that they can be justified under a WTO provision?

Answer:

The main reason for introduction of such export ban, related to the list of products (Annex 11), is that at present Uzbekistan has a transitional period of its economic development. Some goods are not produced in Uzbekistan at the amount to cover domestic demand yet and are imported to the Republic.

In the nearest future this problem will be solved in the process of economic development and the policy on export promotion will cover the goods, export of which is provisionally prohibited now.

- (e) **Other measures**
- (i) *Minimum export prices*

Question 37.

Can Uzbekistan advise what action is taken by MFER if export prices for raw materials do not comply with world prices?

Answer:

The Government of the Republic of Uzbekistan is adopting special measures intended to bridge the gap between the domestic and international prices of commodities, but taking into consideration the social-economic circumstances of the country, this process should be of gradual nature.

3. Internal policies affecting foreign trade in goods

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

Question 38.

We note that while a number of laws relevant to SPS measures have been made available to the WTO Secretariat (nos. 6,21, 23, 25 and 33), this does not include the Law on State Sanitary Control of 3 July 1992 cited in the Memorandum. Can Uzbekistan please provide the text of the Law on State Sanitary Control, including a copy of the text of the medical and biological standards No. 0065-96?

Answer:

The laws enacted in this area are: the Law on State Sanitary Control (3 July 1992) and the Law on Quality and Safety of the Food Items (30 August 1997). These laws provide a basis for ensuring sanitary-epidemic security of the population, as well as for ensuring the safety of the food items that are produced locally or imported into the Republic of Uzbekistan. The process of revision of the above laws for the purposes of bringing them into conformity with the requirements of the WTO Agreement on sanitary and phytosanitary measures has already been started.

During the formulation of relevant legal documents, the Ministry of Health is basing its work on taking into consideration the requirements of international standards.

The requested documents can be found in the attachments to the current answers.

Question 39.

We are interested in detailed information regarding the legislative, regulatory and administrative arrangements either in place at present or proposed to ensure that Uzbekistan is able to comply with the WTO SPS Agreement in view of the significance of the agricultural sector to the Uzbekistan economy, including food production and processing, and of the transformation of Uzbekistan's institutional framework, we would appreciate a detailed explanation of Uzbekistan's regime for determining and maintaining sanitary and phytosanitary measures (including arrangements for ensuring sanitary or phytosanitary measures are soundly based on scientific evidence, and that such measures do not arbitrarily or unjustifiably discriminate between members where similar conditions prevail, or between Uzbekistan and other countries). We are also interested in arrangements relating to control, inspection and approval procedures, the establishment of an enquiry point, the establishment of

procedures to review complaints and other operational requirements of the SPS Agreement. Could Uzbekistan please provide such information?

Answer:

The legal documents, which are currently regulating quarantine controls and as such restricting the importation of vegetative and other quarantine related products in the Republic of Uzbekistan, have been developed taking into consideration the natural, climatic and other specifics of our region.

The rules of quarantine for plants in most of the cases prohibit the importation of those products, that are subject to quarantine, from the countries that have quarantine objects.

In case of the accession of the Republic of Uzbekistan to WTO, most of the legal documents in the area of quarantine control (The Law on Quarantine of Plants, Rules, Regulations and Other Acts) that are covering the activities of the agency implementing quarantine control of plants would be revised and if necessary changed to bring them into the conformity with the requirements of the WTO Agreement on the implementation of phytosanitary measures.

Question 40.

We would also appreciate advice of arrangements for determining the need for sanitary and phytosanitary measures, including the basis for determining the requirement for any variations from internationally agreed standards, recommendations or guidelines. Can information on this be provided please?

Answer:

The phytosanitary measures that are envisaged by the legislation of the Republic of Uzbekistan are intended to protect the life and health of the citizens of the Republic, as well as its territory from the spreading of the quarantine and other dangerous diseases, insects, plant diseases and vegetative parasites, which can cause significant economic harm to the national economy of Uzbekistan.

Question 41.

Can Uzbekistan advise its intentions regarding membership of Codex, the OIE and the IPPC, the international standard setting bodies acknowledged under the SPS Agreement?

Answer:

Please refer to the answers above.

(e) **State trading practices**

Question 42.

According to annex 6, the sale of cotton for export is handled through companies under the Ministry of Foreign Economic Relations ("Innovatsia" and "Uzmarkaz-Impex") and the state-owned joint stock association "Uzdavpakntasanoatsotisn"). Do these companies have any special privileges with regard to exports of cotton? Could Uzbekistan provide more information on "Innovatsia" and "Uzmarkaz-Impex"?

Answer:

In accordance with the decisions of the Government, as well as the legal documents, the exportation of the cotton fibre is centralised mainly through foreign trading companies of the Ministry of foreign economic relations (Innovatsiya, Uzmarkazimpeks, Uzprommashimpeks).

These foreign trading companies do not have special privileges or benefits with regard to the exportation of cotton fibre.

The firm "Innovatsiya" was founded in 1988 and in 1992 it had been reorganised into a Republican self financing foreign trade concern under the auspices of the Ministry of foreign economic relations of the Republic of Uzbekistan.

Based on the Decree of the Cabinet of Ministers of the Republic of Uzbekistan '318 dated 15 August 1998. the company was again reorganised into the State joint-stock foreign trading company under the auspices of the Ministry of Foreign Economic Relations.

The main area of activities of the Company is exportation of commodities, final goods, technologies and know-how, which are sold in relation to implementation of the State order. The main items that are imported by the company are machinery, equipment, technologies, consumer goods and other products, which are in demand in the domestic market. Besides that, firm "Innovatsiya" provides consulting services in the field of foreign economic activities, creation of Joint venture companies, implementation of investment projects.

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Within the structure of the company "Innovatsiya" there are a number of smaller foreign trading firms that are the following:

- "Inagro"
- "Raznoimpex"
- "Integratsiya"
- "Invest"
- "Center for consulting and engineering services"

The geographical areas of main activities of the company are: Germany, USA, Italy, Japan, Czech Republic, Slovakia, Russia, Ukraine, Panama, England, China, Thailand, Brazil, Poland, Austria, Turkey and others.

In 1998 the annual turnover of the company was US\$299.653 million, including revenues from exportation – US\$274,336 million and revenues from importation – US\$25.317 million.

The State-joint stock foreign trading company "Uzmarkazimpex" was reorganised into the State foreign trading concern "Uzmarkazimpex" in 1998.

In accordance with the act of Cabinet of Ministers of the Republic of Uzbekistan '10/31-303 dated 9 December 1998, as well as the Law of the State property management committee of the Republic of Uzbekistan # 199k-PO dated 25 December 1998. on "On selling of the available portion of ownership shares of the joint stock companies that belong to the Ministry of foreign economic relations", some ownership shares of the company can be sold to the interested parties.

The main type of activities conducted by the company "Uzmarkazimpex" are to implement export import trading activities that are centrally allocated by the State, as well as to participate in the development and implementation of measures intended to expand the foreign economic co-operation.

In 1998 the annual turnover of the company was US\$435.25 million, including revenues from importation – US\$70.47 million. The main item of exportation is cotton fibre, which was exported at the level of 14 thousand tonnes. Among the importation items were: 299.9 tonnes of grain, 199.59 thousand tonnes of soybeans, 1.68 tonnes of butter, 20.76 thousand tonnes of sugar, 4.63 thousand tonnes of canned meat, 0.08 thousand tonnes of baby food, 0.35 tonnes of milk powder.

For the year 1998 gross revenues received from the sales of goods and services amounted to 1523.6 million sums. Financing of operations are done by means of combining external funds and the company's own funds.

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Question 43.

GATT Article XVII requires that purchases or sales by state trading entities be made solely in accordance with commercial considerations. How does Uzbekistan! justify with this WTO requirement the stated purpose of the arrangements for cotton (Viz. to generate export earnings for the state budget and to protect farmers)?

Answer:

Foreign trade companies are selling cotton fibre in international markets exclusively pursuing the commercial interests.

Question 44.

Do the arrangements for cotton incorporate imposition of a minimum export price? If so, how does Uzbekistan justify such an export restriction under WTO provisions?

Answer:

There is no minimum export price for cotton-fibre. Just like in the international commercial practice, prices of commodities are established on the basis of the quotations existing in international exchanges for that given product. When concluding contracts, export prices for cotton fibre based on quotations of the uzbek component of Index A of the Liverpool cotton association or quotations of the New-York Cotton Exchange.

Question 45.

Annex 6 states that 25 per cent of the 1997 grain harvest was subject to the system of state order In 1997, but that the balance of the crop was at the disposal of the farmers, who could sell to households or the State Procurement Agency. It also notes that the export of grain is currently prohibited. Could Uzbekistan provide more information on the role of the State Procurement Agency?

Answer:

State purchasing agencies, in accordance with the function of centrally processing some types of agricultural products assigned to them, build their relations with producers on the basis of contractual agreements. Mutually advantageous co-operation is brought about by means of signing contracts with individual entities. In particular, futures contracts are to be set up, which would pay for future crop, and which is very important component of successfully implementing planting, harvesting and other arrangements on production of agricultural goods.

In such situations it is beneficial for individual producers to work with procurement agencies that solve main problems confronted by producers.

Question 46.

What is the reason for the ban on exports of grain? How is the ban justified under WTO provisions? Are there any plans to lift the ban on exports of grains?

Answer:

The export ban of grain crop and some other products, as it has already been mentioned above, is a temporary action, which is directed towards supplementing local consumer with products of goods of first necessity and it is connected with difficulties of transition period. The primary reason for this is insufficient local production of these products.

If the programmes of economic development are implemented, it is planned that not only domestic demand for such products would be satisfied but also their exportation is planned. There were significant successes reached in this area in the short period of time, and in the near future these problems will be solved.

Question 47.

It is noted in Annex 6 that "Uzdonmakhsulot" conducts nearly all flour milling operations, and the grain subject to state order is purchased to ensure the supply of flour on the market. Are there plans for "Uzdonmakhsulot" to continue to undertake most flour milling operations in the future?

Answer:

State-joint-stock company "Uzdonmakhsulot", having big production possibility for processing grain into flour is currently being loaded by state supplies only for 50 per cent of its capacity. Therefore it can process the grains from any other organisation, regardless of type of ownership, based on the contractual basis.

(j) Government-mandated counter-trade and barter**Question 48.**

The Memorandum states that counter-trade and barter trade are allowed, but notes that they are rare and mainly only for state needs. Could Uzbekistan advise what sort of products and services are traded under barter trade and counter trade, and for what state needs?

Answer:

Barter or counter-trade is prohibited by law of the Republic of Uzbekistan and very rarely can be implemented only with a special authorisation of Cabinet of Ministers of the Republic of Uzbekistan, for purposes of implementing the programme of state purchases.

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

Question 49.

The Memorandum refers 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', pursuant to which the Ministry of Finance determines the upper limits of procurement of foodstuffs for the year and informs relevant ministries!, departments and regions. Could Uzbekistan provide more information on how the Ministry of Finance determines the procurement of foodstuffs for the year?

Answer:

According to rational norms of consumption of main foodstuff per year, which have been developed and approved by Ministry of Health, and other corresponding ministries and agencies, Ministry of Finance determines their

Question 50.

Could Uzbekistan advise what foodstuffs are procured for state needs? In what quantities?

Answer:

In accordance with the decree of the Cabinet of Ministers №397 dated 14 August 1997 "On improving system of purchases of main kinds of foodstuffs for state needs" meat, meal, cereals, oil, butter, sugar, tea, potatoes, dry milk and baby nutrition are main kinds of foodstuffs purchased for state need.

Question 51.

Could Uzbekistan provide more information on the role of the Republic Joint-Stock Association for Wholesale and Commodity Exchange in the procurement process?

Answer:

In accordance with the decree of the Cabinet of Ministers №397 dated 14 August 1997 "On improving system of purchases of main kinds of foodstuffs for state needs" procurement of foodstuffs is effected by corresponding regional firms providing the State supply organisations.

Question 52.

The Memorandum states that procurement, as a rule, is on the basis of competitive tendering. Are there any circumstances when competitive tendering is not used?

Answer:

There are two kinds of tenders in the practice of bids conducted in the Republic at present time: open (non-limited by participants number and close (limited by participants number). The decision about participants number of closed tender are made by Republic commission on co-ordination of tenders conducting. The open tenders (competition on the best contract) are declared in the Republic press and conducted among the economic units of the Republic of Uzbekistan.

The agency "Uzbektenderconsulting" of the Ministry of Foreign Economic Relations of the Republic of Uzbekistan is executive body of the Republic commission on co-ordination of tenders conducting and engaged in organisation conducting of tenders on foodstuffs supply for state population needs.

Ministries and government departments have rights to independently conduct tenders.

Question 53.

Are tenders open to both domestic and foreign suppliers?

Answer:

Internal and foreign suppliers of products that meet the tender conditions by all organoleptic and economic indicators are allowed to participate the tender.

4. Policies affecting foreign trade in agricultural goods

Question 54.

Uzbekistan extends some privileges and tax exemptions for manufacturing enterprises with foreign investment which export goods of their own production. Could Uzbekistan provide more information on the nature of the privileges and tax exemptions?

Answer:

In accordance with tax code of the Republic of Uzbekistan there is flexible system of tax privileges to enterprises with foreign investments, enterprises of small business, enterprises producing and processing agricultural production and also enterprises-exporters.

Question 55.

Is there a direct relationship between qualification for receipt of the privilege and export performance?

Answer:

In accordance with the decree of the President of the Republic of Uzbekistan № YP-1871 dated 10 October 1997 "On additional measures to stimulate export of goods (work, services)" the system of privileges provided for the own production of enterprises-exporters.

Question 56.

The Memorandum notes that Uzbekistan's policy of reform in the agriculture sector is aimed at eliminating in the near future the payment to enterprises in the sector and farmers that is made

within the framework of the direct state financial support. Could Uzbekistan provide further information on its current agriculture programmes and its future plans?

Answer:

In accordance with the decree of the President of the Republic of Uzbekistan № YP-1978 dated 18 March 1998 the Programme of economic reforms in agriculture for the period 1998-2000 was approved to carry out.

Question 57.

Uzbekistan notes that the main aim of governmental policies is to ensure the stability and growth of agricultural supplies to the domestic market, and pursuant to its policy, the Government the undertaking a diversification of agricultural production. How is the Government undertaking its programme of agricultural diversification? What sort of Government support is given to this programme of diversification?

Answer:

In accordance with the programmes of economic reforms in the Republic of Uzbekistan the measures taken oriented to development of agricultural sector and envisage the diversification of agricultural enterprises, perfection of internal property and labour relations, introduction of new agricultural production technologies.

Question 58.

There is no indication in the Memorandum that Uzbekistan currently subsidises exports of agricultural products. Can Uzbekistan confirm that it has no policies or programmes in place that would provide such subsidies?

Answer:

In accordance with the legislation of the Republic of Uzbekistan the programmes of export potential development and the programmes of rising the agriculture production stipulate only tariff and non-tariff regulation measures for indicated sphere.

5. Policies affecting foreign trade in other major sectors

Question 59.

Uzbekistan notes that it pursues the policy of export promotion for oil and consumer goods. Could Uzbekistan outline the types of measures or programmes used, and whether the receipt of benefits under any of these programmes are specifically linked to export performance?

Answer:

The policies of the Government of Uzbekistan do not envisage export realisation of crude oil but it is aimed at export delivery of oil production: automobile oil, diesel oil, aviakerosin and technical oil. Generally, the policy of the Government of Uzbekistan is directed to rise the level of processing raw materials in the Republic.

VI. TRADE IN SERVICES REGIME

1. General

Question 60.

We are looking forward to receiving Uzbekistan's market access offer, and hope that it will address all sectors (especially Legal, Accounting, Architectural, Engineering Computing, Basic Telecommunications and value-added Services, Construction, Distribution, Tertiary Education. Financial services, and Transport). Would Uzbekistan please provide details of any restrictions on foreign capital and participation in the various services sectors?

Answer:

In general there are no restrictions for foreign capital participation in economy of Uzbekistan. The Government of the Republic of Uzbekistan implements measures on foreign investment attraction in priority sectors including various services sector.

Question 61.

It is not clear whether there is a state monopoly on Telecommunication services or whether foreign investment is permitted at this time, or will be in the future. Would Uzbekistan please clarify?

Answer:

There are no restrictions in the telecommunication sector. More than one hundred enterprises with foreign capital participation act at this time in Republic.

Question 62.

Would Uzbekistan please provide further information on the privatisation policy for state-owned Transport services?

Answer:

The policies of the Republic of Uzbekistan in the transport services completely correspond to measures applied by other countries in this sector. Some transport sectors are state owned in connection with necessity to support due level of passengers safety, provide uninterrupted delivery of cargo and fulfilment of international commitments of Uzbekistan. First of all it relates to air, railway and pipeline transport. As to the other sectors measures on privatisation are taken. Now most of transport enterprises have changed the form of property. Mostly such enterprises are reorganised in joint stock companies.

Question 63.

The Finance sector is an important one we would encourage Uzbekistan to make a binding commitment on all sub-sectors. Does Uzbekistan intend to do this? We note that insurance and banking services may only be undertaken as part of a Joint venture. Will Uzbekistan review this restriction?

Answer:

In accordance with effective legislation of the Republic of Uzbekistan there are no restrictions concerning foreign capital participation in insurance services rendering in Uzbekistan.
