

Integrating Sustainable Trade Principles in Uzbekistan

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Abstract:

This article is an assessment of the current state of affairs in Uzbekistan's sustainable development goals (SDG)-related policies. It is based on an analysis of UN compiled data on SDGs, and an overview of Uzbekistan's key SDG-related strategies, as well as unstructured interviews with a dozen respondents. Desk research suggests that Government's key SDG priorities remain in export promotion, job creation and increased economic competitiveness. Interviews suggest that sustainability is understood as political and economic stability, economic growth, environmental conservation and rule of law. From the SDG issues, respondents identified SME and female entrepreneur support, employment generation and e-commerce as the ones with the highest priority, while concurring that corruption, monopolies and market distortions, low policy implementation capacity and limited public awareness of sustainability were the greatest obstacles. The greatest strength of Uzbekistan in integrating international trade into SDGs is the current reform momentum. Significantly improved relations with neighbors is another strength, with a window of opportunity to improve on regional trade, transit, connectivity, as well as water management and water-energy nexus. The greatest challenge remains the government's focus on exports, jobs and investments at the expense of other SDGs, as well as the continuation of the import substitution policies.

Keywords: sustainable trade; SDGs; international trade; Uzbekistan; economy.

JEL Classification: O19; O24; O53.

Introduction

Uzbekistan is a landlocked lower-middle income country in Central Asia, the most populous of the five state of the region and the only one with borders with the remaining four and Afghanistan. It is one of the two double-landlocked countries, with none of Uzbekistan's neighbors having direct access to a seaport. While presenting a logistical challenge to the integration of Uzbekistan into the global economic system, this fact also elevates the importance of trade facilitation, promotion of services and high-value goods trade and transport facilitation for the competitiveness of the Uzbek economy.

Among a handful of non-members of the World Trade Organization, Uzbekistan has consistently pursued import-substituting industrialization policies since gaining independence in 1991. The exports are dominated by natural resources, whose rising prices in 2000-2008 ensured value growth of Uzbek exports. Public finance authorities consistently posted trade surpluses, which were in reality obtained through exorbitant taxation of imports, limiting access to foreign exchange and micromanagement of the customs administration.

Since the passing away of its president and the election of Shavkat Mirziyoyev into the presidency in 2016, the economic policy took a U-turn, making significant steps towards economic and trade liberalization. The foreign exchange system was liberalized in the third quarter of 2017, as were regulated prices, average import tariff was brought down from 15 to 3%, the corporate and personal tax rates were significantly reduced starting 2019 (World Bank 2019b).

Despite these significant developments, Uzbekistan has a long way to go until international trade is put to the service of national development. In 2020 the Doing Business index of the World Bank Uzbekistan ranked 152th out of 190 countries for external trade, with a score 58/100 (World Bank 2020). In fact, the country's lowest score in Doing Business is for external trade, and within external trade, for documentary compliance costs of exports and documentary compliance time for imports. Related to external trade, land reform is yet to be completed, state and state-allied monopolies eliminated and inefficient state enterprises privatized.

This report will take stock of these developments and identify SDG-related risks and opportunities to Uzbekistan's trade liberalization.

1. Uzbekistan's Placement in Global Sustainability Rankings

Uzbekistan formed its first National Sustainable Development Commission under the Government in 1997 and issued its first Sustainable Development Concept in 1998 (United Nations 1998). Uzbekistan has strongly supported the Sustainable Development Goals, with a national focus on education, health, gender equality, infrastructure, and financial inclusion. The national SDG action plan stresses skills training, support to active labor market programs, expanding legal and policy support to labor migrants (primarily in Russia) and reforming the labor market. Uzbekistan's overall index score for the year 2020 is 71 and its ranking 66/166. SDG 14 (Life Below Water) is not included in the national plan as the country is landlocked.

A more detailed look (UN MAPS 2019) into the problematic SDGs using the Sustainable Development Report Dashboard (UN SDR 2020) reveals the following "serious efforts" areas. From among the indicators related to international trade, Uzbekistan's obesity and Sustainable Nitrogen Management Index present "major challenges" (*i.e.* is red-coded) for SDG2, with the government admitting that sustainable productive and agricultural methods are not applied. The country ranked 71st in the 2019 Global Food Security Index of the Economist Intelligence Unit, out of 113 reviewed, behind Kazakhstan and Azerbaijan with comparable agricultural systems (Economist Intelligence Unit 2019). Nevertheless, it is a seven-position improvement from 2016 (StatUz 2020). The Index cites corruption, low purchasing power and low levels of R&D investment into agriculture as the most important challenges for Uzbekistan's food security policy.

Freshwater withdrawal and wastewater treatment present a challenge to attaining SDG6. For SDG8, unemployment rate rose in 2019, while the prevalence of bank account has slightly decreased (in 2017). For SDG9, R&D expenditures fell slightly and are well below the target rate of 3% of GDP, while journal articles count has barely changed in the last 18 years. For a country seeking import-substituting industrialization, these unimpressive SDG9 indicators are a wake-up call.

For SDG11, access to piped water has declined from 95% to 88% in 16 years. Given residential construction spree in the major cities of Uzbekistan and absence of corresponding improvements in public utilities, this indicator will fall even more. For SDG16, the corruption perceptions index is not improving fast enough to attain the global goal, while the press freedom index has slid below the levels observed under the previous government. For SDG17, government spending on health and education decreased slightly and is well below the global target, as is the government revenue as part of GDP – fluctuating, but well below the global target.

The MAPS team has stated that rapid progress in SDG nationalization is constrained by limited data availability, with the data availability among the worst in Central Asia and East Europe. The MAPS have also highlighted the absence of a well-defined national development policy framework that could build on the ongoing reform impulse, as well as limited application of evidence-based policy-making. More specifically, the National Action Strategy 2017-2021, for example, has "shows serious data gaps for goals 1, 2, 10, 12, 13, 15 and 16" (UN MAPS 2019). As of November 2020, the Ministry of Economic Development and Poverty Reduction is yet to address the concerns raised by MAPS missions and quite a few indicators from the 2020 Dashboard are outdated. The Gini Coefficient data for SDG10 is completely absent. January 2021 interviews with UN Country Team revealed serious progress being made by the Uzbek statistics authorities in closing these gaps. Noteworthy is that no political and administrative barriers exist anymore to the collection of data, a significant change from preceding president's policies.

The government admits the existing shortcomings. In a report to the parliament, the government indicated "certain weaknesses in the effectiveness of public administration, the rule of law, weak market institutions, structural imbalances in the economy, insufficient capacity to collect statistics, lack of funding, and the impact of the global COVID-19 pandemic" will pose a challenge to the attainment of the SDGs (SDGs in Uzbekistan 2020).

Global Food Security Index

In terms of food security, Uzbekistan continues to suffer from under nutrition and micronutrient deficiencies, albeit the situation has dramatically improved since early 2000s.

Table 1. Food security outlook of Uzbekistan

Indicator	2016, %	Compared to 2002, % change
Poverty (USD 1.9, 2011 PPP, %)	27	-40
Undernourishment	6.3	-12.6
Stunting (children under 5), 2006	19.6	n/a
Wasting (children under 5), 2006	4.5	n/a
Anemia (children under 5)	36.6	-16.2
Anemia (reproductive age women)	36.2	-9.1

Source: Burkitbayeva *et al.* (2020)

Uzbekistan relies almost entirely on Kazakhstan for the imports of the highest-class and first-class wheat that the local market demands for baking. Uzbekistan's own wheat produce is stocked in state reserves or exported to Afghanistan. In 2011, following the global food crisis, Kazakhstan imposed export restrictions on wheat, forcing the government of Uzbekistan unseal the wheat reserves to supply the domestic market with wheat (Burkitbayeva *et al.* 2020).

There is no stand-alone law on food security, it is rather a part of the national development strategies. Neither is nutrition part of the food security agenda. The government pursues strong self-sufficiency goals to establish food security, at the expense of more systemic, international trade-based arrangements.

The 2019 FAO review of food security and nutrition mentions that the residents of Uzbekistan lack adequate supplies of fruits, vegetables and fish products (FAO 2019: 60), a problem which can be resolved by more nutrition-sensitive production and trade policies. Part of the problem is collating food and nutritional security. An illustrative example is subsidized production of wheat and bread, as a food staple, to ensure food safety through self-sufficiency. Subsidized bread price leads to overconsumption by the vulnerable groups and feeds into animal feed, both aggravating the nutritional safety problem.

Recognizing the role of trade in securing healthy, high quality and nutrient rich foods, the FAO notes that in the recent years, the non-tariff measures have become increasingly important obstacles to food trade, recommending enhanced transparency measures, risk management and modernized customs valuation methods, mutual recognition of certificates and electronic documents, as well as trade facilitation and building capacity of conformity assessment, standardization and metrology entities and the private sector (FAO 2019).

The increasingly dominant systems frameworks in food security and nutrition, the "food systems" and "agro-ecological practices" frameworks, both stress making farming more nutrition-sensitive, diversified, small-scale, healthy, produced in shorter value chains, boosting rural employment and environmentally friendly. The principal policy to attain these goals is to reorient from price and production support to general services and rural development, a very topical recommendation for Uzbekistan, which still runs price support and export promotion programs.

Given high levels of land salinization and water shortage, Uzbekistan cannot meet its demands in dairy, oils and sugar and this shortage will only increase, necessitating the facilitation imports to ensure food security. In 2017 and 2018, recognizing the risks of rising consumer prices on the vulnerable groups, the government has already reduced or abolished customs duties on socially important imports.

Global Survey on Digital and Sustainable Trade Facilitation

In the 2019 edition of the Survey, Uzbekistan scores 62%, which is a considerable improvement from the 2017 score of 25% (UN TF Survey 2019). The country's weak points are paperless cross-border trade and institutional arrangements and cooperation, while the highest score is for transparency. In comparison with 2017, the strongest gains were made in formalities and paperless (domestic) trade. In paperless trade and SME trade facilitation, the country is well ahead of the Central Asian average and even the ECE average. For institutional arrangements, the country is below the ECE and the regional average, while on paperless border trade - below the ECE average, but above the regional average. Women-related trade facilitation is not scored.

2. National Development Strategies Review

Five Priorities Strategy

In February 2017, the government's 2021 program was unveiled, with the following principal pillars, relevant to this report's subject matter:

- Fewer licensing requirements
- Subsidies to exporters;
- Finance to social entrepreneurship and to infrastructure development
- Business training for women and youth, re-training programs for the unemployed
- Rollback of the state's role in grain and cotton markets (Government of Uzbekistan 2017).

A related, but not identical programme has been developed by the Buyuk Kelajak center, which mobilizes expatriated Uzbek professionals in various sectors in the design and planning of the national development strategy. Their 2035 strategy that the center has developed does mention several sustainable development principles, as it does mention the trade, however their interrelation is beyond the scope of that document (Buyuk Kelajak 2019). The strategy mentions climate change, water shortage and labor migration as challenges to sustainable development, while calling for export and SME development, renewable energy and resource-efficient industries. One reading of the report suggests that energy, agriculture and construction/infrastructure would be the most promising sectors in terms of trade and sustainable development.

Investment and Industrial Policy 2025

The concept of the strategy of investment and industrial policy of the Republic of Uzbekistan until 2025 does acknowledge the problems of energy efficiency and labor productivity, but sees the solutions in technology transfer, international investments and modernization without corresponding opening of the border for the imports of machinery and inputs. "Optimal reduction of import-dependent sectors" continues to be a leading policy goal. The leading sectoral development for the chemical industry, for example, is import substitution. The Ministry of Economic Development, which oversees the policy, routinely publishes a list of import-substituting inputs and components recommended for the take-up by private and state companies.

Banking Sector Strategy 2025

The ambitious Strategy approved in May 2020 envisions a major privatization of state banking assets and reduction of the state's involvement in lending, introducing the Basel standards and the IFRS and promoting digitalization, including electronic money and payment systems. Also, the government aims to discontinue the practice of preferential loans, by requiring that loans are issued at rates not lower than those of the market starting 2021.

Air Transport

In aviation, the new government policy seeks to attract new, international players and promote competition (EBRD 2020). Also, based on the success of the Navoi airport pilot, the authorities plan an overhaul of the airport management system and attract foreign investment through private-public partnerships. The management of the national flagship carrier Uzbekistan Airways is to be outsourced to foreign management.

Energy Concept 2030

The government is planning to implement energy sector reforms to meet growing demand for electricity. Its efforts will be guided by the Concept for Provision of Electric Energy to Uzbekistan in 2020-30, which was approved in May 2020 (Energy Ministry 2020). The concept envisages transition to the wholesale electricity market by 2023, the establishment of an independent energy regulator in 2020-21, and the introduction of differentiated tariffs for electricity from 2022. In addition, there are plans to create an energy market operator – a state-owned company with online platforms for wholesale market customers to carry out purchases and sales of electricity and natural gas. The government also sets new targets for power generation, including solar, hydro, wind and nuclear power to meet growing demand (annual power consumption is expected to rise by 6 - 7% a year until 2030). The headline-making government target is to have 25% of the national energy supply from renewables by 2030 (hydropower is considered a renewable in Uzbekistan). Interestingly public-private partnerships predominate investment projects in the energy sphere.

Related to this is the Presidential Decree on Energy Efficiency, Energy Savings and Alternative Energy (PP-4422). It sets up a Foundation for Energy Efficiency in Industrial Firms, calls for the introduction of the ISO50001 in all companies by 2023 and national energy efficiency standards for certification. The Decree also introduces several subsidies for energy efficient equipment purchase and installation.

Parallel to this, however, there is a state-sponsored promotion campaign of coal as an “alternative fuel” to natural gas and a target to increase the use of coal by 2030 from the current 5 to 15% (Babakhodjayev and Zakhidov 2018). While the move would liberate natural gas consumed by cement and brick mills and glasshouses, environmental consequences of this are undoubtedly negative.

Agriculture Development Strategy 2030

In 2018, the Government launched a viticulture development program, abolishing licensing requirements and putting a 100ha grape production barrier to entry. The same year, a horticultural cluster development program was introduced with minimal government intervention. The government significantly increased agricultural export subsidies from USD 70-150 million in 2015-17 to 550 million in 2018.

Now the development of the agricultural sector is advancing under a new strategy. Approved in October 2019, Uzbekistan's Agriculture Development Strategy for 2020-30 aims to liberalize the sector, remove export barriers and eliminate mandatory production quotas for cotton and wheat. It provides a plan for diversifying agricultural production, phasing out state control of production, and the sale and processing of cotton and wheat. Agribusiness clusters will be created in the cotton, wheat, horticulture and livestock sectors in order to attract private capital, increase value added through deeper processing, and improve access to export markets. The sector's development will be accompanied by measures to ensure environmental protection and efficient use of resources, the Strategy promises.

Customs Reform Strategy

In June 2020, admitting that the customs procedures could be further improved, the President of Uzbekistan announced a concept and a roadmap of customs facilitation and reform (President's Decree UP-6005 2020). The Decree prescribes customs one-stop shops (starting September 2020) reduced customs clearance time and customs escorts requirements, inter-agency coordination of inspections, risk management and post-clearance audit and other international best practices advocated by the WTO Trade Facilitation Agreement and by the World Customs Organization. Uzbekistan is also to ratify the Revised Kyoto Convention of the World Customs Organization.

At the same time, the Customs are assigned atypical tasks of analyzing import volume and value peaks and promoting localization of production. Separation of release from clearance and financial guarantee practices are yet to be introduced.

Starting 2021, customs introduced the following changes relevant to sustainable development: zero-duty utilization fee on trucks and minibuses using fuel of quality Euro-5 and higher (until 2023), authorized economic operator framework, utilization of the e-CMRs (consignment notes in the framework of the Convention relative contract de transport international de Marchandises par Route), VAT and duty-free imports of technology and equipment not produced in Uzbekistan, integration of electronic phytosanitary certificates into the customs single window, permission of certified private sector labs to issue phytosanitary certificates, introduction of quarantine controls at the border using service dogs (Association of Customs Brokers 2020).

Competition Law

Competition policy (including price regulation) is overseen by the Antimonopoly Committee and the Ministry of Finance. The legal framework consists of the “Law on Competition” (2012) and the “Law on Natural Monopolies” (1999). The Government reform blueprint, the Five Priorities Strategy (see above) calls for enhanced economic competition and curbing the role of the existing monopolies. The Antimonopoly Committee has recently requested the EBRD for technical assistance to review the existing legal framework, build regulatory and human capacity.

Environmental Strategies

Action Strategy 2017-2021 sets the following two priorities: mitigate the negative impact of global climate change and the drying up of the Aral Sea on the development of agriculture and the life of the population; prevent industrial damage to the environment, health and the gene pool of the population.

Another programmatic document was the 2019 presidential address to the parliament, with the following priorities: higher attention to environmental issues and improving the environment, mitigation of environmental

problems of the Aral Sea, improving environmental controls, preventing negative impact of industrial development on the environment, rational and efficient use of water resources, drip irrigation systems and other water-saving technologies in at least 30% of irrigated land, maintenance of the water balance; electricity generated from renewables to increase to 20%.

Green Economy Strategy 2019-2030 sets the following goals: improvement of energy efficiency in basic sectors of the economy, diversification of energy consumption and development of renewables, adaptation to and mitigation of climate change, conservation of natural ecosystems, financial and other forms of state support to the green economy.

Environment Protection Concept 2030 seeks to promote sustainable economic development through the introduction of innovative technologies to mitigate negative environmental impacts, rational use of the environment and reproduction of biological resources, mitigating Aral Sea disaster, improvement of waste management and greater engagement of the civil society and the public. There is also a National Gender Strategy which calls for a greater involvement of women in environmental matters.

Water Economy Development Concept 2030 pursues conditions necessary to meet the constantly growing water needs, reliable and safe operation of water facilities, effective management and rational use of water resources, improving irrigated lands and water security. Most of the priorities and strategies, although renewed, do not radically break with the previous strategies in the sense that the role of international trade in environmental goals achievement remains marginal.

3. National Legal Framework Review

Uzbekistan, undergoing reforms, is in the process of rewriting many existing laws and regulations. For the interim, presidential decrees and resolutions give a good overview of government's plans and the state's vision of how the updated laws would look like. Therefore, whenever relevant, the legal analysis will focus on presidential decrees rather than the existing laws.

Foreign Trade Law

The Law of the Republic of Uzbekistan On Foreign Economic Activity was adopted on 14 June 1991, before Uzbekistan was independent and updated in 2000. As typical of the laws pre-dating the development of the trade in services and e-commerce it doesn't mention e-commerce or have a dedicated chapter on either e-commerce or services trade. Value chain development, food security, SMEs and other SDG-related concepts are also not part of the law. To give a specific example, while Belarus has an explicit norm that import and export measures shouldn't be used as hidden limitations on foreign trade, a similar norm is absent from the corresponding article of the Uzbek law. As another example, while Belarussian and Kyrgyz foreign trade laws mention that limitations on trade aiming to preserve non-renewable resources should be accompanied with similar limitations on the domestic production and consumption of such resource, the Uzbek law doesn't contain such a norm (Law of Belarus 2004 and Law of Kyrgyz Republic 1997).

Public Procurement Law

Adopted in April 2018, the new public procurement law was developed with inputs from the World Bank. While welcoming its adoption, a senior Bank official noted that further improvements were needed to ensure welfare-maximizing behavior by procurement officials and the suppliers, to introduce an incentives system for good suppliers, digitize the procurement process to limit corruption and streamline due diligence, audit and other controls and to improve capacity of procurement officials (UzDaily 2018). In response, the government introduced a new draft of the procurement law, addressing some of the concerns raised by the World Bank and the OECD. Both versions have a clause ensuring that the public procurement system responds to the government's social and economic priorities, including those relating to innovative and high-tech productions and environmental protection (Law of Uzbekistan ZRU-472 2018). The extent of its implementation is to be seen. The implementing legislation currently in the stage of public discussions does not yet deal with this clause. Most likely, further developments of this law would be in reducing corruption, promoting digitalization and ensuring SME participation, rather than optimizing the system for environmental and social considerations.

In 2019 and 2020, the government continued to update the procurement law to extend its coverage and to strengthen its corruption-control elements. For example, state organizations previously excluded from the coverage of the law were also addressed, conflict-of-interest situations were addressed and administrative liability was introduced for the violation of the public procurement legislation.

Standardization Law

The Uzbek standardization legislation deals with voluntary standards in the Law on Certification of Products and Services, stating voluntary certification is permissible, but needs to be accredited by the national agency UzStandard (Law of Uzbekistan on Certification 1993). From the implementing legislation there is only one Cabinet Resolution, on “voluntary ecological labeling” which details the procedures necessary for certification. According to the Resolution, the standards for eco-labelling are to be developed in 2019-2022, in cooperation with Germany (Cabinet of Ministers 2019).

Investment Law

The new investment law still contains references to import-substitution (Law of Uzbekistan on Investments 2019) and still requires export and localization indicators to be identified in investment contracts, despite the WTO TRIMS Agreement prohibiting and the international best practices discouraging them. The law requires an expert review of investment projects to ensure its compliance with labor, environmental, sanitary and public health standards. Investment contracts between the state and investor should contain clauses on labor, environmental and technical standards, environmental efficiency of the set-up equipment and mutual obligations in socio-economic development of the local territories. The law reserves the right to prohibit or limit foreign investments in certain areas to protect public health or the environment or flora and fauna of Uzbekistan.

The socio-economic, labor safety and environmental impact assessments of certain investment projects are to be done at the Center for Comprehensive Review of Projects and Import Contracts at the Ministry of Economic Development and Poverty Reduction. This should have been the place where the state would ensure that the investment projects comply with the nation’s long-term development goals. However, there is a long list of projects that are exempt from such expertise, including production sharing agreements, projects financed by international financial and governmental financial institutions, investment projects over 70% financed by a foreign investor, investors whose projects don’t require fiscal and other preferences and so forth.

Principal criteria for the admission into the free economic and small industrial zones in Uzbekistan seem to be import substitution, exports orientation, high-tech and innovation productions with a localization component and high employment creation. Interestingly, the government prioritizes the employment of the registered unemployed.

SME Law

The SME law (Law of Uzbekistan on Entrepreneurship 2000) requires entrepreneurs engaged in imports to register as actors of foreign economic relations, but also prescribes preferential access to loans, as well as fiscal preferences, such as accelerated amortization. The Government encourages exports of SMEs and has set up a specialized agency to promote entrepreneurship. SMEs benefit from state guarantees on loans and interest payment subsidies. The same preferences are available for entrepreneurs, with loan priority given to “vulnerable persons” (seniors, single parents, graduates, human trafficking victims, low-income family members, former inmates, registered unemployed and returning labor migrants). Women and youth qualify for subsidized entrepreneurship training and preferential loans.

In October 2020, the Government introduced export financing support. Exporters and trade intermediaries benefit, until 2022 from: interest payment subsidies and loan guarantees on loans for pre-export financing (President’s Decree UP-6091 2020).

Transport Law

The transportation legal framework, devised in 1990s is currently undertaking a major upgrade, as evidence by unification of transport-related agencies into several ministries into a single ministry of transport in 2019. The reform ambitions, as evidence by the most recent presidential decrees and resolutions, are in enhancing safety and environmental and financial sustainability of transport, as well as its contribution to exports, investment attractiveness and economic growth. In the capital, transportation strategy seeks also to eliminate road and passenger transportation bottlenecks. The existing practice of state companies combining services provision and regulatory functions has been eliminated in railways and airlines. Tax and financial incentives have been put in place to promote internationalization of domestic road transport companies and modernization of their fleet. The government is also making a second push to make Uzbekistan the hub for air and rail freight transit (World Bank 2019a). Accessibility and equity considerations are not so far explicitly addressed.

Environmental Law

Uzbekistan's environmental law is undergoing significant changes at the moment and the review of the legal framework should be read in conjunction with the government's environment-related development strategies (see above). The analysis below captures the situation as-is, and it is expected to change very soon.

The national environment law consists of laws on nature protection, biodiversity conservation, air quality control and environmental impact assessment. UNECE experts involved in the second environmental review of Uzbekistan noted that the legal framework for monitoring of pollution is over ambitious, with implementing capacity below the declared targets and ambitions (UNECE 2010). There is a need for a third review, given the ambitious reform program that the government announced.

Despite dire environmental situation in the country with land degradation, water scarcity, rising average temperatures related to the climate change and increased environmental stress due to economic development, the government has so far not prioritized environmental considerations over economic development or job creation. Also, the state environmental programs do not fully utilize the potential of international trade to improve environmental performance.

The country is a signatory to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.

SPS, Food Safety, Quarantine and TBT Laws

Due to the highly complex and technical nature of the laws in this area and scarcity of published information, the review of the SPS and TBT laws is based on an interview with an international expert who works on Uzbekistan.

Technical support projects supported by international donors (e.g. Asian Development Bank) have prepared draft food safety and quarantine legislation, based on the latest FAO Codex Alimentarius recommendations. The adoption of this legislative framework, however, is yet to be seen. The main problems plaguing the sector are lack of political will at the highest levels, resistance of the public administrations to change (there are quite a few standards based on the Soviet-era "GOSTs") and reformers' tendency to postpone the inevitable systemic reforms, favoring cosmetic changes. Agency staff capacity is not a factor of resistance per se, but capacity gaps are reported to be enormous (but in line with development stage peers). The existing human capacity is spread thin over two agencies responsible for SPS – the UzStandard Agency under the Cabinet of Ministers and the Sanitary Epidemiological Service under the Ministry of Health.

A few examples from the current food safety framework. There is no differentiation between "best by" and "use by" expiration dates, *i.e.* food quality and food safety are not differentiated at the policy level. There is a limited understanding of and support for evidence- and science-based standards adoption, with some residue standards for example, extremely stringent, while meat listeria standards are non-existent. There is an over-reliance on the end product standards, as opposed to proper hygienic practices, *e.g.* in poultry production.

There is no legislation on food waste reduction. Unlike in France, supermarkets cannot legally donate unsold food items. However, due to certain cultural factors (informal community-based food donation practices, intolerance of food, especially bread waste in the aftermath of the Great Hunger of 1930s) food waste per se is not a significant policy problem.

Customs Law

Starting 2021, customs introduced the following changes relevant to sustainable development: zero-duty utilization fee on trucks and minibuses using fuel of quality Euro-5 and higher (until 2023), authorized economic operator framework, utilization of the e-CMRs (consignment notes in the framework of the Convention relative au contrat de transport international de Marchandises par Route), VAT and duty-free imports of technology and equipment not produced in Uzbekistan, integration of electronic phytosanitary certificates into the customs single window, permission of certified private sector labs to issue phytosanitary certificates, introduction of quarantine controls at the border using service dogs.

4. Survey

Fourteen respondents have filled out the questionnaire and several more have agreed to phone interviews. The interviews were conducted in December 2020 and January 2021. Four respondents represented the public sector. Private sector and non-state sector was represented by five respondents each. The respondent pool had three environmental specialists, three trade specialists, two agribusiness and three economics/finance/procurement specialists.

The concept of sustainability in Uzbekistan was most commonly associated with political and economic (mainly cost of life) stability, economic growth, environmental conservation and rule of law.

Eight out of 14 respondents could list government's actions on green economy and green trade, most listing the government's action plan on the transition to the green economy 2019-2030. Some mentioned specific government support actions and project-level initiatives with international development partners, e.g. for international recognition of organic certification. With the existence of a high-level framework strategy, "green economy" was a buzzword for most of the respondents.

Most of the respondents couldn't relate or could only partially recognize the SPECA Principles inclusion in the national strategies and documents (e.g. e-commerce, energy efficiency). Several noted the government ambitions had implementation gaps or that the policies were flawed (e.g. promotion of the exports of services is limited to programmers). It is necessary to note that non-recognition was not necessarily a sign of their non-inclusion: the Principles spanning a dozen sectors, the respondents most often were unaware of the developments outside of their area of expertise.

Most of the respondents also agreed that government's trade and investment policies reflect the need to create decent jobs, with only two disagreeing. However, expanded interviews with respondents showed that they were referring more to job creation rather than improving work conditions at existing jobs. Together with this, a respondent who has visited joint-ventures and exporting companies highlighted that work conditions and pay were better than on average. Also, the government has reportedly been requesting large companies to implement corporate social responsibility initiatives.

Average scores on priority given by government to various aspects of sustainable development in national plans and strategies are as follows:

Table 2. Summary of average scores per priority

Priority	Average score
Environmental policies	4.6
Resource and energy efficiency	4.4
Export diversification and value addition	4.6
Support to SMEs and women entrepreneurs	5.3
Employment and decent work conditions	5.1
Food security	4.7
Food waste	2.8
Public private partnerships for sustainability	4.6
Sustainable public procurement	4.0
E-commerce	4.9

Source: Author's interviews

The low score for food waste is not necessarily an indication of an ignored public issue. Many respondents underlined that food waste laws do not exist, because large food operators donate expiring or unsold food through informal networks embedded in the local culture of charity.

For all other aspects, the average range between 4 and 5.3. For energy efficiency, support to SMEs and female entrepreneurs, employment generation, PPPs and e-commerce, the relatively high scores for prioritization were given due to widely publicized presidential or cabinet decrees mentioning these subjects. Many respondents noted that government's priorities and public priorities often diverge, as do government's top-down initiatives and their local implementation.

Energy-efficiency is a relatively topical issue, but respondents didn't reach a consensus on its inclusion in trade and investment plans, with half of the respondents confirming it and half denying. Lack of consensus was also evident in the question about sustainable procurement.

This is not the case with food security, which, most respondents agreed is reflected in national economic development and trade plans. It is noteworthy that food security is seen as contradictory to trade, with government insisting on self-sufficiency and export controls in times of need and granting import preferences for inputs (e.g. duty-free imports and direct subsidies to pedigree cattle to address seasonal meat shortages). The recently opened country FAO office is credited with promoting many legislative initiatives in line with international best practices.

Although they indicated a relatively high score (4.6) for government's prioritization of the PPPs for sustainability, the respondents were only familiar with two sustainability-related PPP projects: in renewable energy and solid waste management. This is absolutely normal, given that the PPP legislation was only introduced in May, 2019.

Respondents agreed that the state support for SMEs and women-led enterprises is extensive and mentioned Small Enterprise Support Fund, tax reductions and subsidized loans, innovation ministry's financing the costs of sending export goods' samples for certification abroad, the National Gender Strategy, as well as the work of the EBRD, ITC, FAO and the UN in this area.

When asked about facilitating e-commerce for SMEs, many respondents associated the concept with e-government (government's online services) for business facilitation. They mentioned the electronic single window for tax and customs matters, e-procurement, as well as the presidential decree on the promotion of e-commerce that specifies tax preferences for companies active in the field. Listing most significant sustainability issues, respondents referred to the following (sorted by frequency of mention):

- corruption, issues with the rule of law and property rights;
- market-distorting economic preferences, extensive monopolies;
- problems of implementing national development plans, inadequate capacity and high turnover in public administration;
- low environmental and sustainability awareness of the public, lack of culture of sustainability.

Sectors most scalable in sustainability are agriculture, energy and e-commerce/IT, according to respondents. Tourism, telecoms, transport (aviation) were also mentioned. Preferred trade partners referred to, in terms of sustainability: EU (Germany most often), Russia, China and Kazakhstan. It is noteworthy that most respondents thought either in terms of imports of know-how (EU, Russia, China) or countries with relative ease of exports (Russia, China, Kazakhstan and other regional partners).

On longer-term solutions to recover the Uzbek economy from the negative impact of COVID-19, respondents referred to the general international best practices:

- facilitation of business operations and procedures, including the expansion of e-government;
- promotion of exports and of integration into global value chains;
- promotion of competitiveness, facilitation of the imports of innovations and advanced technologies.

Quite a few respondents mentioned the necessity and urgency of continued short term state support in the form of tax and customs payment holidays and deferrals, as well as subsidized financing.

Conclusion

The 2016 World Bank Country Diagnostic recommended the following priorities, relevant to sustainable trade, which the government has only partially addressed: removing market distortions, business-conducive regulatory environment, reallocation of land to more productive uses, modernizing public infrastructure, labor market reforms, inequities in access to water and sanitation, and sustainable use of natural resources (World Bank 2016).

The following are the systemic challenges that have been preventing Uzbekistan from fully embracing the sustainable trade agenda.

The most ground-breaking and highly publicized step of Uzbekistan towards sustainability has been the elimination of the mandatory cotton purchase system and elimination of forced and child labor during the cotton campaign. It has been achieved after a sustained pressure of the European Union and the United States to improve work conditions and wages of the Uzbek laborers. Import boycotts seem to have worked. While being the most vivid indication of trade policy promoting sustainable development in Uzbekistan, it is also an illustration of how economic development considerations have trumped other ethical and sustainability considerations in the past. Unfortunately, this tendency continues into the present, with economic growth, job creation and exports being the three most important economic policy goals of the government. Other sustainability considerations, especially the environment, is still understood to be secondary to these three goals, at least in the lower levels of the state administration.

Having liberalized foreign currency exchange and tariff policy and demoted mandatory agricultural purchases, the government nevertheless did not fully give up on the former's *raison d'être* – the industrial policy of import-substitution and industry localization. The government still uses customs and public procurement policies to promote local industries, often at the expense of customers and competitive domestic firms who are denied cheap foreign inputs. There are many examples, from construction to automotive and electric goods, when localization

policies hinder environmental and resource efficiency, as well as the emergence of new industries (e.g. car-sharing).

Survey respondents in government, parliament, private sector and expert community have all underlined the inadequate human capacity of the state administrative apparatus, especially in the regions. In addition to the capacity building on the international best practices in each area of expertise of the SDGs, there is a capacity building need on the cross-cutting and systemic SDG issues and on strategic planning skills to maximize potential synergies between various SDG programs, e.g. environment, agriculture and exports. High turnover of senior ministry officials and the practice of political appointments into “technical” ministries have also been identified as a barrier to effective implementation of the sustainable trade agenda.

While the government has taken significant steps to define, plan and monitor the SDGs (e.g. all highest state officials report to the parliament on the SDG attainment progress) and while SDGs and the president’s Five Priority Directions Action Plan incorporate quite a few SDGs, the wider public, including regional officials and ministers “outside” of the traditional SDG areas have very limited understanding of SDGs and render little practical contribution to their attainment. Many survey respondents have highlighted the necessity of sustainability-related information campaigns. There were calls to reintroduce environmental science into the school curriculum or subsidize its costs as an extra-curricular activity.

On the opportunities side, the biggest promise lies in the opening up of Uzbekistan and government’s willingness to international community’s criticism and advice. In less than five years, Uzbekistan went from refusing to disclose its basic national budget figures and denying documented cases of forced labor to digitizing and publishing public procurement records and agreeing to surveys on culturally sensitive topics like gender violence. Uzbekistan’s Statistics Office featured as one of the three top performers in the Open Data Inventory.

Greater openness and elimination of the practice of persecuting journalists and social activists has brought many pertinent environmental and social issues into the international and domestic public fora. Increased awareness and attention to such issues opens a rare window of opportunity to meaningfully address sustainability challenges. For example, when authorities axed dozens of trees in the center of Tashkent in 2009, there was no public resistance. Today, environmental activists battle developers yard-by-yard, often winning and the president signed a moratorium on tree-logging in 2019. From 2021, there are substantial financial incentives to report environmentally harmful actions to the authorities.

The role of trade in supplying higher quality goods at lower prices has come to be a widely shared public belief, with domestic legal monopolies and politically-connected dominant players suffering significant reputation losses. Although the authorities have so far refused to eliminate market distortions in several key sectors (automobiles, electronics, processed foods), there is a high and sustained public pressure to do so.

Improved relations with neighboring countries open a rare and a very promising window of opportunity to improve on regional trade, transit, connectivity, as well as water management and water-energy nexus. The latter was one of the biggest bones of contention for regional water cooperation, but under President Mirziyoyev, Uzbekistan has changed its position, towards a more constructive approach.

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