MEASURES ON IMPROVEMENT OF INVESTMENT ENVIRONMENT AND PROSPECTS FOR JAPANESE COMPANIES IN IMPLEMENTATION OF INVESTMENT PROJECTS
Factors of success in Uzbekistan

1. Political & macroeconomic stability
2. Sound legal base
3. Rich raw material base
4. Energy advantageous
5. Diversified industrial base
6. Advantageous geographical location
7. Well educated human resources
Main macroeconomic parameters

GDP growth (% to previous year)

Inflation

**2001** | 25.25%
---|---
**2002** | 21.6%
**2003** | 3.8%
**2004** | 3.7%
**2005** | 6.8%
**2006** | 7.8%
**2007** | 6.8%
**2008** | 7.8%
**2009** | 7.4%
**2010** | 7.3%
**2011** | 8%
**2012** | 7%
Sound legal base

Over 50 normative legal documents on regulating of investment activity adopted in Uzbekistan

Law “On Foreign Investments” in 1998
Law "On Investment Activity” in 1998
Law "On Guarantees and Measures to Protect the Rights of Foreign Investors” in 1998

6 legal documents on regulating of investment and business activity adopted in Uzbekistan in 2012

Decree of the President of Uzbekistan «On additional measures to stimulate attracting foreign direct investments» #UP-4434, April 2012

Decree of the President of the Republic of Uzbekistan #1731 "On additional measures for stimulation of export manufacturers and expansion of export supplies of competitive output”, March 2012
Decree of the President of Uzbekistan
«On additional measures to stimulate attracting foreign direct investments» #UP-4434

1. Enterprises with the investment volume for at least 5 million USD reserve the right to pay for 10 years for all type of taxes that operated at the date of their registration.

2. Investment projects
   - more than 50 million USD
   - share of foreign investors no less than 50%, external engineering-communication networks will be provided by state budget.

3. Selling low liquid state objects at zero redemption cost through signing direct contracts with the investor under concrete investment obligations.

4. Obtaining of multiply visa for a period of 12 months.
Decree of the President of Uzbekistan
«On additional measures to stimulate attracting foreign direct investments» #UP-4434

5. Extension of incentives and privileges of the President’s Decree #UP-3594 on April 11, 2005

I. For all regions of Uzbekistan (except Tashkent region and Tashkent city)

II. Tax and obligatory payments exemption

Period of Tax Exemptions:

• **3 years**, if amount of direct investments is **0,3 - 3 mln. USD**;
• **5 years**, if amount of direct investments is **3 - 10 mln. USD**;
• **7 years**, if amount of direct investments is more than **10 mln. USD**.
“On measures on radical reduction of d statistics, tax, financial reporting, of licensable businesses as well as and permit issues procedures” #UP-4453

In accordance with the Decree, 80 licensing procedures (26% of the total number) and 15 licensable activities (20%) will be abolished in Uzbekistan since August 1 through their cancellation and integration.
Decree of the President of Uzbekistan “On measures on further cardinal improvement of business environment and providing more freedom to entrepreneurship” #UP-4455

- payment of taxes and other mandatory payments via remote service for bank accounts, including Internet Banking;

- declaration of goods by the business entities at the customs clearance of goods;

- registration of ownership of legal entities for real estate through "one-stop shop" approach;

- submission of claims and applications of business entities to economic courts.
Decree #1731 "On additional measures for stimulation of export manufacturers and expansion of export supplies of competitive output", 2012

Exemption from obligatory sale of foreign exchange earnings, transferred by current payments on repayment of principal on foreign currency loans for new construction, modernization and technological upgrading of existing facilities, for the period until the principal redemption.
Uzbekistan possesses unique resources:

- solid raw materials, including metallic and non-metallic
- Over 1644 deposits and 100 sorts of mineral resources
Energy advantageous

10 thermal stations and 28 hydropower plants fully provide the needs of the economy.

Total energy capacity 12472 MWt

Additional capacity – 1101 MWt (2013-2016)

Coal reserves – 80-100 years

Average prices for:

- Electricity - $0.05 per kWt/h
- Gas - $56 per 1000 m3
- Coal - $21 per 1 ton

Alternative energy sources in Uzbekistan:

- solar energy
- wind energy
- biofuel
Diversified industrial base

- Oil, gas & petrochemical
- Chemical
- Mining & metallurgy
- Automobile
- Agricultural machinery
- Electrical engineering
- Electronics
- Construction materials
- Textiles
- Pharmaceuticals
- Food processing
Central geographical location to the largest markets

CA & Afghanistan: 90 mln. people
CIS: 300 mln. people

Most Favorable Nation Treatment
with 46 countries, including US, EU countries, Japan, China, India, Republic of Korea, and others
Well educated human resources

- 65 universities and institutions
- 850 directions
- 300 thousand students
- affiliates branches of foreign universities:
  - Westminster International University
  - Singapore Institute of Management Development
  - Turin Polytechnic Institute
  - Oil&Gas Institute named after Gubkin
  - Moscow State University
  - Russian Economic University named after Plekhanov

- 300 thousand students
- Oil&Gas Institute named after Gubkin

Well educated human resources
Foreign investments in Uzbekistan (within State investment program, 2012)

Total foreign investment during the years of independence amount 120 bln. USD Including FDI - 60 bln. USD

Foreign direct investment and credits

Loans under Government guarantee
Foreign enterprises in Uzbekistan

over 4500 enterprises
Newly implemented investment projects

- Steam-gas plant on Navoi thermal power-station in cooperation with Japan “Mitsubishi”
- Second stage of a new complex for the production of trucks in cooperation with German “MAN”
- First stage of liquefied gas production on the base of “Mubarek Gas Processing Plant”
- Production of engines for automobiles jointly with GM
- Construction of an unique complex “Ustyurt Mubarek Gas Processing Plant” on the base of Surgil field in cooperation with Korean companies consortium started in 2012
Foreign investments in Uzbekistan by country (2012)
Investment cooperation between Uzbekistan and Japan

11 enterprises with participation of Japan capital including 1 enterprise with 100% Japan capital

Main directions of activities are trade, services in sphere of transportation, tourism and healthcare, machinery and metallurgy, light industry

14 Japan enterprise are accredited in Uzbekistan
Institutional cooperation

Representative office opened in May 1999

Representative office opened in October 2000

On 24 September, 2009 come into effect Agreement between the Republic of Uzbekistan and Japan for the “Liberalization, promotion and protection of investments”

The Uzbekistan-Japan Center for Human Development opened in 2000
FIEZ “Navoi”: Concept of creation

- FIEZ “Navoi” was created by the Decree of the President of the Republic of Uzbekistan on December 2, 2008.
- Established near Navoi city administrative centre of Navoi region
- The concept is based on the synergy of its 4 blocks or hubs:
  - industrial
  - logistic
  - innovation
  - touristic, cultural & recreational
“Navoi” International Airport

- 29 flights per week
  (Delhi, Mumbai, Bangkok, Frankfurt, Istanbul, Dubai, Doha, Dhaka, Hanoi, Moscow, Milan, Brussels, Vienna, Zaragoza, Incheon, Paris)

1st stage – Cargo processing ability – 300 tons/day

2nd stage – Cargo processing ability – 1000 tons/day
Navoi FIEZ residents are exempted from all type of taxes

- **7 years**
  if amount of direct investments is from **3 mln to 10 mln Euro**

- **10 years and** 50% reduction of profit tax for the following **5 years**
  if amount of direct investments is from **10 mln to 30 mln Euro**

- **15 years and** 50% reduction of profit tax for the following **10 years**
  if amount of direct investments is more than **30 mln. Euro**
FIEZ “Navoi”: Current projects

12 operating projects

Enterprises working in FIEZ “Navoi” started production of such goods as:

- Automobile components
- LED lams
- ADSL modems
- Set-up boxes
- Polyethylene pipes

10 projects in progress

50 new projects
Special industrial zone “Angren”

- Establishment of Special Economic Zone “Angren“

(Degree of the President of the Republic of Uzbekistan April 13, 2012 No.UP-4436)

Distance between large cities:
- Tashkent – 80 km
- Ferghana – 240 km
- Samarkand – 220 km

Total territory of SIZ “Anger” – 1634 ha
SIZ “Angren”: Logistic center

Creating a competitive advantage for the country in the international logistics market

Capacity of storage facilities 5,4 mln. tn./year
Total area 36,7 ga
Registered 310 vehicles
Angren SIZ residents are exempted from all type of tax and custom duties (except customs fees):

**Period of privileges and incentives:**

- **3 years**
  - if amount of direct investments is from **0.3 mln to 3 mln USD**

- **5 years**
  - if amount of direct investments is from **3 mln to 10 mln USD**

- **7 years**
  - if amount of direct investments is more than **10 mln. USD**
SIZ “Angren”: Current projects

- Synthetic motor oil
- Automobile tires
- Silicon
- Ceramic tile
- Sugar plant
The program includes 516 projects with total cost of US$54 billion.

The accepted and realizing of new program on developing industry will provide preservation of the achieved steady rates of social and economic development of the country and growth of volume of industrial goods production from 30.748 trillion soums to 50.412 trillion soums

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<tr>
<th>Indicators</th>
<th>2010</th>
<th>2015</th>
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<tbody>
<tr>
<td>Industrial growth</td>
<td>108,5%</td>
<td>111,8%</td>
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<tr>
<td>Share industry in GDP</td>
<td>23,9%</td>
<td>28%</td>
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<tr>
<td>Share of ready products in total volume of industrial output</td>
<td>50,6%</td>
<td>61,2%</td>
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<tr>
<td>Share of ready products in total export volume</td>
<td>51,1%</td>
<td>71,8%</td>
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<tr>
<td>Share in GDP of Fuel and energy complex</td>
<td>29%</td>
<td>20,7%</td>
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<tr>
<td>Share in GDP of Machine building</td>
<td>16,7%</td>
<td>20,4%</td>
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<tr>
<td>Share in GDP of Light industry</td>
<td>12,8%</td>
<td>15,6%</td>
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<tr>
<td>Share in GDP of Food industry</td>
<td>11,8%</td>
<td>17,2%</td>
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### Prospects for cooperation

- **Petrochemical industry** (ABS plastic, PVC, NPK fertilizers)
- Technologies & equipment for textile industry, healthcare, food industry and etc. (sewing-machine, medical equipment, food processing equipment and etc.)
- **Road-building machine**
- **Electronics** (home appliance, IT equipment, LED and etc.)
- **Pharmaceutics industry** (vaccines and medicines)
- **Construction materials** (float glass, ceramic-granite, sanitary ware, ceramic tiles)
- **Textile Sector** (fabrics, silk, ready made garments and etc.)
- **Tourism**
Production of polycarbonate, ABS-plastics and other polymers from natural gas

Total cost of the project: 700 million USD

Production: 70 thousand ton polymers

Annual import: 20 thousand ton

Raw material: 150 mln. cub. m. natural gas

Annual turnover: 210 – 280 million USD
Production of PVC, caustic soda and methanol in “Navoiazot” OJSC

Total cost of the project: 400 million USD

Production:
- 300 thousand ton of methanol
- 100 thousand ton of PVC
- 71 thousand ton of caustic soda

Raw material: 318.8 mln.cub.m. natural gas

Annual turnover: 220 million USD

Export: 50 percent PVC
Construction of ammonia and urea production at Navoiyazot OJSC

Total cost of the project of - 962 mln.USD;

Production: ammonia — 660 ths. tonnes, urea — 577 ths. tonnes,

Payback period of the project: 12,0 years

Number of employees: 473
Construction of complex mineral fertilisers production plant in Navoiy Region

Total cost of the project - 380 mln. USD;

Production: 150,000 tonnes of NPK fertilisers, 71,8 ths. tonnes of caustic soda, 300 ths. tonnes of methanol
Production of household electronics – refrigerators

Total cost of the project: 11 million USD

Production: 500 thousand units

Raw material: copper, metal, diesel, fuel, gas, electricity, polyethylene, polystyrene (HIPS), ABS, paint, solvent (HIPS10), foaming polystyrene, EPS, steel rolls and steel plates.

Annual turnover: 50 million USD

Export: 25 percent
Production of washing machines

Total cost of the project: 10.0 million USD

Production: 100 thousand units

Raw material: copper, metal, diesel, fuel, gas, electricity, polyethylene, polystyrene (HIPS), ABS, paint, solvent (HIPS10), foaming polystyrene, EPS, steel rolls and steel plates.

Annual turnover: 30 million USD

Export: 25 percent
Textile machinery

Total cost of the project of - 10 mln. USD

Production: Weaving equipment

In the framework of program for development of textile industry in 2013 is provided to purchase and equip local enterprises with weaving machines in amount of 42 ths.
Production of architectural glass

- Total cost of the project: 70.0 million USD
- Production: 12.0 mln. sq.m. (4 mm.)
- Annual turnover: 50.0 million USD
- Export: 40 percent of architectural glass
- Job creation: 260 persons
The organization of production of preparations for treatment of endocrine diseases

Total cost of the project of - 12 mln. USD

Annual capacity – 5 000 thousand conventional units. in a year;
Payback period – 3 years;
Profitability – 20 %;
Created workplaces – 50.
Production of medications for treatment of oncological disorders

Total cost of the project: 28.0 million USD

Production: 1.0 mln. units

International names: Fluorouracil, Dammarane Sapogenins (Ginseng), Paclitaxel, Bevacizumab, Doxorubicin, Zoledronic acid, Anastrazole, Epirubicin,

Job creation: 20-35 persons
The organization of production of preparations for treatment of cardiovascular diseases

Total cost of the project of - 25 mln.USD;

Payback period – 5 years;
Profitability – 27 %;
Created workplaces – 100.
Establishment of textile complex on the base of JSC «Bukharateks»

Total cost of the project of - 60 mln. USD

Production: 6 ths. tons of yarn,
15 mln. sq.m. of fabric, 13 mln. units of ready made garments
Thank you!

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www.fiez.uz
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