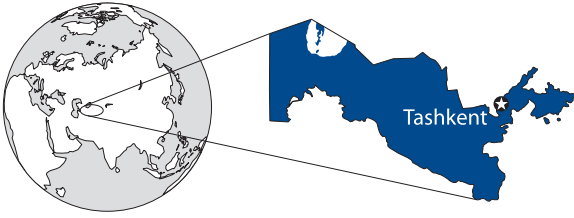


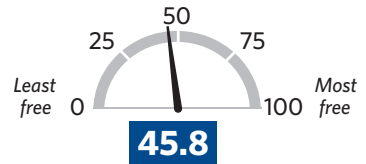
UZBEKISTAN



World Rank: **164**

Regional Rank: **37**

Economic Freedom Score



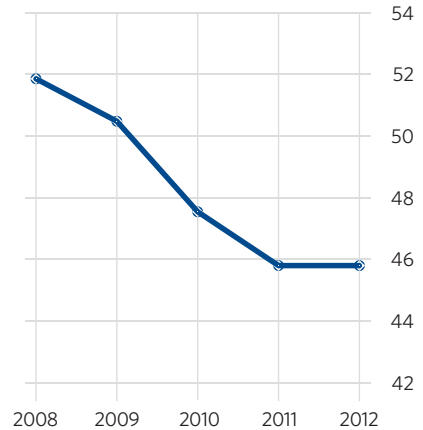
Uzbekistan's economic freedom score is 45.8, making its economy the 164th freest in the 2012 *Index*. Its score is unchanged from last year, with a decline in the score for government spending that offsets small gains in fiscal freedom and monetary freedom. Uzbekistan is ranked 37th out of 41 countries in the Asia-Pacific region, and its overall score is much lower than the world average.

Uzbekistan continues to score poorly in most areas of economic freedom. The lack of meaningful reform and continuing reliance on the energy sector as the main source of economic expansion have effectively precluded broader-based economic development. More critically, weak protection of property rights and widespread corruption, both exacerbated by the absence of an independent judicial system, are significant drags on economic freedom and long-term economic development.

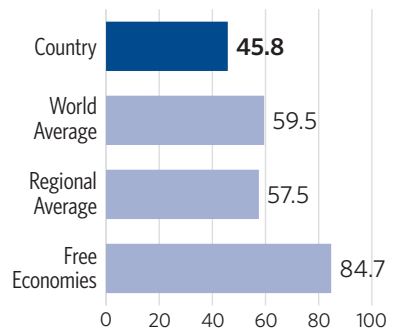
The overall regulatory environment is burdensome, severely limiting entrepreneurial dynamism. State control and interference remain high in many areas of the economy. The poor investment regime lacks transparency, and investment regulations are applied inconsistently, discouraging business creation or expansion. The informal economy is quite large and remains a vital source of employment for much of the population.

BACKGROUND: Strongly authoritarian President Islam Karimov has been in power since the late 1980s. Relations with the U.S. and the European Union have improved slightly due to cooperation in the fight against Islamist terrorism. Uzbekistan has guaranteed the U.S. and Germany limited access to the Termez air base for operations in Afghanistan. The EU relaxed economic sanctions imposed for the political crackdown following the 2005 Andijon uprising, but human rights violations remain a concern. An agreement with the U.S. signed in 2009 allows shipment of non-lethal supplies to Afghanistan through Uzbekistan's territory. Remittance inflows from Russia rose by 39 percent in 2010 following a decline of almost one-third in 2009. Uzbekistan relies heavily on natural gas, oil, gold, and uranium exports, but cotton remains the main source of export revenues.

Freedom Trend



Country Comparisons



Quick Facts

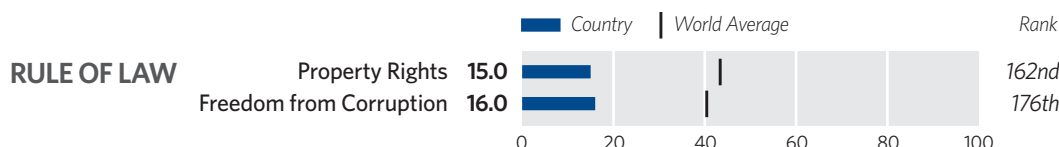
Population: 28.2 million
GDP (PPP): \$85.8 billion
 8.5% growth in 2010
 5-year compound annual growth 8.5%
 \$3,039 per capita
Unemployment: 1.1%
Inflation (CPI): 9.4%
FDI Inflow: \$822.0 million
Public Debt: 10.0% of GDP

How Do We Measure Economic Freedom?

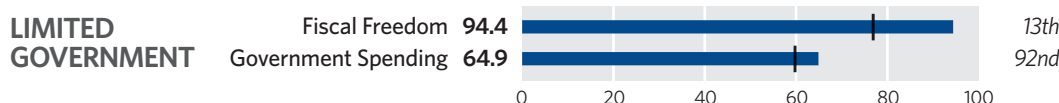
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

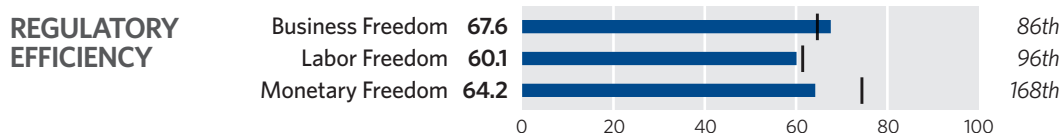
THE TEN ECONOMIC FREEDOMS



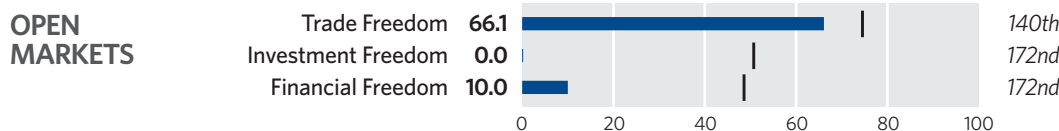
Property ownership is generally respected by local and central authorities, although it can be subverted by the government. The legal framework remains poor, and the executive influences the judiciary. There is no general system for registration of liens on chattel property. Court procedures fall short of international standards, and expropriation is possible. Corruption remains pervasive in many parts of the economy.



The top income tax rate is 22 percent, and the top corporate tax rate is 9 percent. Other taxes include a value-added tax (VAT) and a property tax, with the overall tax burden estimated to be around 20 percent of GDP. Government spending has reached a level equivalent to 34.2 percent of GDP. The budget balance has been in surplus, and public debt has hovered at around 10 percent of total domestic output.



Despite some progress, the regulatory system lacks transparency and clarity, and regulations are inconsistently enforced, injecting considerable uncertainty into business decision-making. The business start-up process has been streamlined, but completing licensing requirements remains time-consuming. The labor market lacks flexibility, and employment in the informal sector is substantial. Monetary stability remains fragile.



The trade weighted average tariff rate is high at 6.9 percent, and non-tariff barriers further increase the cost of trade. The investment regime, lacking transparency and efficiency, remains unfavorable to dynamic investment growth. The financial sector is subject to heavy state intervention. Along with the high costs of financing, the banking sector's limited capacity for financial intermediation is a key barrier to private-sector development.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+3.9	Business Freedom	+0.8	Trade Freedom	-0.1
Freedom from Corruption	-1.0	Government Spending	-6.1	Labor Freedom	-0.1	Investment Freedom	0
				Monetary Freedom	+2.5	Financial Freedom	0