WORLD RANK: **140** | REGIONAL RANK: **36**

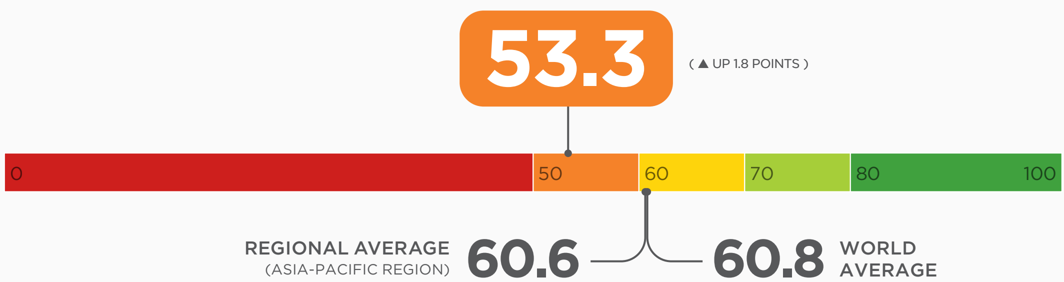
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

UZBEKISTAN

Uzbekistan's economic freedom score is 53.3, making its economy the 140th freest in the 2019 *Index*. Its overall score has increased by 1.8 points, led by robustly higher scores for **investment freedom**, **labor freedom**, and **business freedom**. Uzbekistan is ranked 36th among 43 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

The new president has taken steps to improve ties with Uzbekistan's neighbors and attract foreign investment by pledging to improve public administration, maintain macroeconomic stability, and reform such sectors as agriculture, finance, and banking. In September 2017, the exchange rate was liberalized and allowed to float, after which the currency depreciated by 50 percent. The country has a long history of corruption, protectionism, and government intervention in various aspects of the economy that has hampered growth. The rule of law remains very weak, damaged by a seriously deficient legal framework.

ECONOMIC FREEDOM SCORE

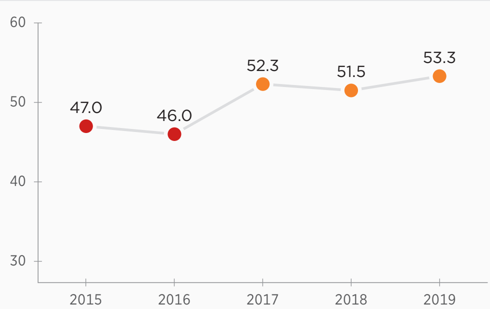


RELATIVE STRENGTHS:
Fiscal Health and Tax Burden

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1998):
+21.8

CONCERNS:
Financial Freedom and Investment Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
32.1 million

GDP (PPP):
$222.6 billion
5.3% growth in 2017
5-year compound annual growth 7.4%
$6,929 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
12.5%

FDI INFLOW:
$95.8 million

PUBLIC DEBT:
24.5% of GDP

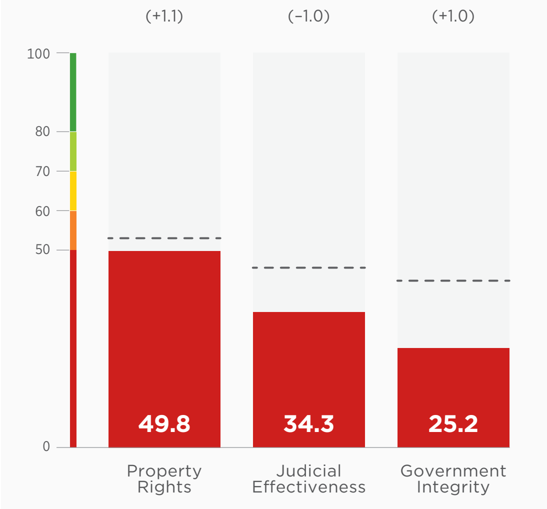
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Islam Karimov ruled Uzbekistan with an iron fist from the late 1980s until his death in 2016. He never reformed the highly subsidized, Soviet-era command economy. Karimov was succeeded by former Prime Minister and current President Shavkat Mirziyoyev, who committed initially to policy continuity but more recently has demonstrated some willingness to reform. Uzbekistan is dry and landlocked; approximately 9 percent of the land is cultivated in irrigated river valleys. More than 60 percent of the population lives in densely populated rural communities. Uzbekistan is the world's fifth-largest exporter and seventh-largest producer of cotton, but unsound cultivation practices have degraded the land and depleted water supplies. The economy also relies on exports of natural gas and gold.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

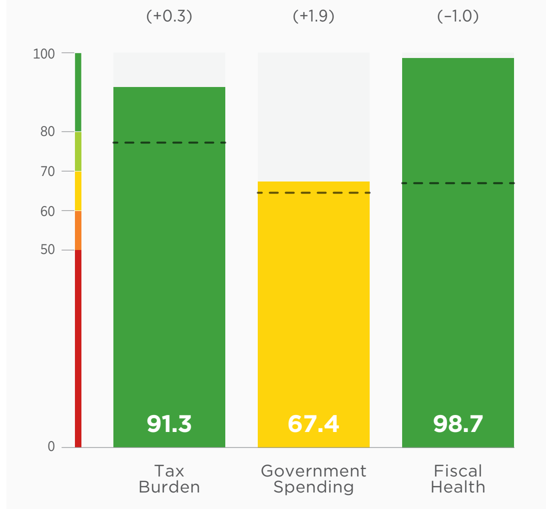
12 ECONOMIC FREEDOMS | UZBEKISTAN

RULE OF LAW



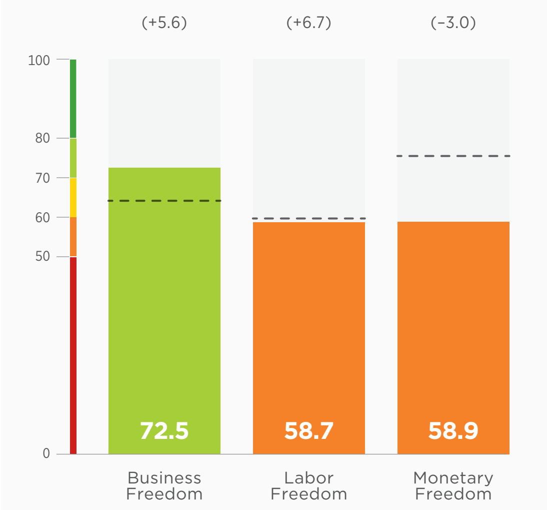
All land is owned by the state. Ownership of real property is generally respected, but it can be subverted by the government, and registration of liens on chattel property is difficult. The judiciary is nominally independent but subservient to executive law enforcement bodies in practice. Corruption is pervasive. Uzbekistan was ranked very poorly in Transparency International's 2017 *Corruption Perceptions Index*.

GOVERNMENT SIZE



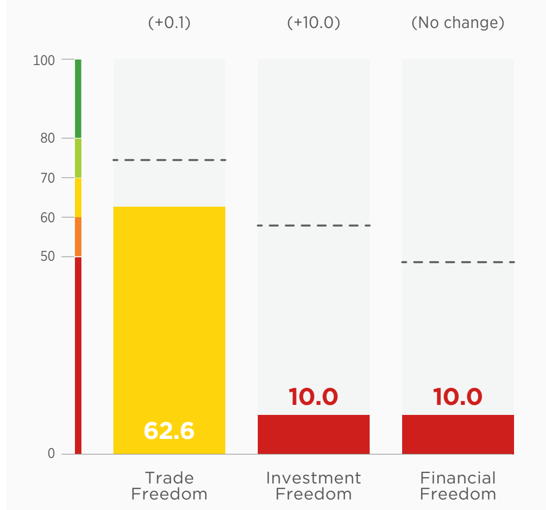
The top personal income tax rate is 22 percent. The top corporate tax rate has been cut to 7.5 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.2 percent of total domestic income. Over the past three years, government spending has amounted to 33.0 percent of the country's output (GDP), and budget deficits have averaged 0.3 percent of GDP. Public debt is equivalent to 24.5 percent of GDP.

REGULATORY EFFICIENCY



An online one-stop shop to streamline business regulation, introduced in 2015, has improved the entrepreneurial environment, but the overall regulatory system suffers from a lack of transparency and clarity. The labor market lacks flexibility, and regulations undermine dynamic employment growth. Although the government has initiated price liberalization, further reforms to stabilize the economy are needed.

OPEN MARKETS



The combined value of exports and imports is equal to 58.1 percent of GDP. The average applied tariff rate is 8.7 percent. Nontariff barriers persist, and progress on structural reform has been uneven. Measures to improve the investment environment, including simplification of the privatization process and the easing of foreign currency controls, have been implemented. The high cost of financing reduces development dynamism.