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# FUNCTIONS OF CUSTOMS TARIFFS IN REGULATING FOREIGN ECONOMIC ACTIVITY: EVIDENCE FROM UZBEKISTAN

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**Abstract:** This article investigates the multifaceted role of customs tariffs in the regulation of Uzbekistan's foreign economic activity during a period of transformative structural reforms (2021–2025). Using a combination of quantitative and qualitative methodologies, the study evaluates the performance of the fiscal, protective, and regulatory functions of the national tariff system. Analysis of full-year 2025 data reveals that Uzbekistan's foreign trade turnover reached USD 81.2 billion, a 92.9% increase compared to 2021, suggesting a strong correlation between trade liberalization and turnover growth. The research highlights that while the fiscal function has been strengthened by rising import volumes, certain sectors under protective measures, such as textiles, experienced an 8.2% decline in exports in 2025. Furthermore, the paper discusses the ongoing WTO accession process, noting the conclusion of bilateral negotiations with 31 member states as of late 2025. The findings emphasize that tariff policy is increasingly integrating digital tools, including AI-based risk-scoring systems, to enhance regulatory efficiency. The study concludes that sustainable export competitiveness requires a shift beyond tariff protection toward comprehensive industrial policy and export diversification to mitigate gold dependency.

**Keywords:** customs tariff, foreign economic activity, tariff policy, WTO, trade liberalisation, import duty, export, Uzbekistan, trade theory, protectionism.

## 1. INTRODUCTION

In the era of globalisation, effective regulation of foreign economic activity represents a pivotal determinant of national welfare. The economic literature spans a spectrum from Smith's (1776) and Ricardo's (1817) free trade doctrine to Krugman's (1979) New Trade Theory, which explains intra-industry trade flows under increasing returns to scale. Baldwin's (1992) empirical studies demonstrate measurable dynamic effects of tariff restructuring on income distribution and industrial competitiveness.

Customs tariffs constitute one of the most widely applied instruments for regulating cross-border trade flows. For a small open economy such as Uzbekistan — one whose trade volumes do not significantly influence world prices — the terms-of-trade argument for tariffs is substantially weakened, and liberalisation policies generally yield greater welfare benefits (Krugman, Obstfeld & Melitz, 2018). The 'optimal tariff' concept (Mill, 1844; Johnson, 1951) is therefore of limited direct applicability.

Uzbekistan embarked on a transformative reform phase in 2017 under President Sh.M. Mirziyoyev: the foreign exchange market was liberalised and the customs system underwent fundamental restructuring. More than 100 amendments were introduced to the Customs Code since 2021. According to the State Statistics Committee press release of 21 January 2026, foreign trade turnover reached USD 81.2 billion in 2025 — a 92.9% increase from 2021.

The central research question is: How have customs tariff policy changes affected Uzbekistan's foreign trade indicators, and are these changes consistent with theoretical predictions? Three primary tariff functions are examined: (1) fiscal — revenue generation; (2) protective — shielding domestic producers; (3) regulatory — directing trade flows and incentivising strategic industries (Deardorff & Stern, 1987; Finger, 1991).

## 2. METHODOLOGY

The study employs a combined quantitative and qualitative approach. The primary data source is the official State Statistics Committee press release dated 21 January 2026 (full-year January–December 2025, preliminary data). Secondary sources include: World Bank Open Data, WTO (wto.org), German Economic Team (2025), PricewaterhouseCoopers Tax Summaries 2025, and Ernst & Young Tax Alert January 2025.

Methods applied: (1) Comparative-historical analysis — full-year 2021–2025 trade indicators; (2) Statistical analysis — official press release data; (3) Content analysis — legal instruments and international agreements; (4) Case study methodology (Yin, 2009) — WTO accession; (5) Functional analysis — independent assessment of three tariff functions.

Limitations: 2025 data are preliminary and subject to future revision. The analysis establishes correlation, not causation, between tariff reforms and trade growth. Exchange rate effects, non-tariff barriers, and global commodity price movements are not isolated. Disentangling the exclusive contribution of tariff policy requires an econometric gravity model approach — proposed as future research.

## 3. RESULTS

### 3.1 Fiscal Function

Cabinet of Ministers Resolution No. 55 (31 January 2025) approved revised customs duty rates. The VAT rate reduction from 15% to 12% (effective January 2023) materially lowered the import tax burden. Import licence processing: 15 days, fee of 10 BSU (1 BSU ≈ USD 32.5 in 2025). Customs duties' share of state budget revenues increased from an estimated 8–9% (2020) to approximately 11–12% (2023–2024), primarily through volume effects rather than rate increases.

### 3.2 Protective Function

Key exemptions in force during 2025: (i) customs duty exemption on hotel, business centre, and retail facility construction inputs (1 March 2024 – 1 March 2026); (ii) textile raw material import exemption (to 1 January 2027); (iii) social tax rate of 1% for textile enterprises (from 1 September 2025). Despite these measures, full-year 2025 textile exports declined 8.2% to USD 2,632.5 million — indicating that protective measures have not yet fully translated into enhanced competitiveness (PwC, 2025).

### 3.3 Regulatory Function: Foreign Trade Dynamics

Table 1 presents full-year foreign trade indicators for 2021–2025, based exclusively on official State Statistics Committee data.

Table 1. Uzbekistan Foreign Trade Indicators — Full Year (2021–2025)

| Year | Turnover (USD bn) | Exports (USD bn) | Imports (USD bn) | Trade Balance (USD bn) | Annual Growth (%) |
|---|---|---|---|---|---|
| 2021* | 42.1 | 16.6 | 25.5 | –8.9 | — |

| Year | Turnover (USD bn) | Exports (USD bn) | Imports (USD bn) | Trade Balance (USD bn) | Annual Growth (%) |
|---|---|---|---|---|---|
| | | | | | |
| 2022* | 50.5 | 19.3 | 31.2 | –11.9 | +20.0% |
| 2023 | 63.5 | 24.9 | 38.7 | –13.8 | +25.7% |
| 2024 | 67.2 | 27.3 | 40.0 | –12.7 | +5.8% |
| 2025 | 81.2 | 33.8 | 47.4 | –13.5 | +20.7% |

Source: State Statistics Committee press release, 21 January 2026 (2025: preliminary data). *2021–2022: Interfax / Statistics Agency confirmed figures. Trade balance = Imports − Exports (author's calculation). Note: 2024 turnover revised to USD 67.2 bn from 65.9 bn reported in press releases earlier in 2024.

Table 1 reveals a 92.9% cumulative growth in foreign trade turnover from 2021 to 2025. The 2025 growth rate of 20.7% substantially exceeds the 5.8% recorded in 2024, reflecting the compounding effects of systematic tariff and trade liberalisation reforms. Export growth (+24.0%) outpaced import growth (+18.5%), indicating improving export competitiveness. The trade deficit widened marginally from USD 12.7 billion (2024) to USD 13.5 billion (2025), remaining below the 2023 record of USD 13.8 billion.

Table 2. Weighted-Mean Applied Tariff Rates (World Bank Data)

| Indicator | 2015 | 2020 | Change |
|---|---|---|---|
| Weighted-mean applied tariff rate (%) | 8.73% | 2.63% | –6.10 p.p. |
| Description | Relatively high | Substantially reduced | Liberalisation trend |

Source: World Bank / Macrotrends.net. Post-2020 official data not yet published by the World Bank.

Table 3. Major Trading Partners (2023–2025 Full Year, USD million)

| Country | 2023 | 2024 | 2025 | 2025 Share (%) |
|---|---|---|---|---|
| China | 13,825.7 | 12,673.5 | 17,226.7 | 21.2% |
| Russian Federation | 10,156.3 | 11,974.1 | 12,985.7 | 16.0% |
| Kazakhstan | 4,485.6 | 4,462.1 | 4,969.6 | 6.1% |
| Turkey | 3,161.1 | 3,037.6 | 3,024.5 | 3.7% |
| Republic of Korea | 2,368.0 | 2,021.2 | 1,737.8 | 2.1% |
| Afghanistan | 867.5 | 1,138.0 | 1,678.5 | 2.1% |
| Germany | 1,072.3 | 1,253.4 | 1,427.7 | 1.8% |
| France | 995.4 | 1,141.7 | 1,377.3 | 1.7% |
| India | 761.0 | 988.1 | 1,317.7 | 1.6% |
| UAE | 721.5 | 821.8 | 1,255.2 | 1.5% |

Source: State Statistics Committee press release, 21 January 2026. Uzbekistan maintained trade relations with 210 countries in 2025.

Table 4. Export Structure (SITC) — Full Year 2025, USD million

| Export Category | 2024 (USD mn) | 2025 (USD mn) | Growth (%) | Share 2025 (%) |
|---|---|---|---|---|
| Food and live animals | 2,175.0 | 2,944.7 | +35.4% | 8.7% |
| Chemical products | 1,680.7 | 2,135.7 | +27.1% | 6.3% |
| Industrial goods | 4,175.8 | 3,988.4 | –4.5% | 11.8% |
| Machinery & transport equipment | 1,201.1 | 1,161.5 | –3.3% | 3.4% |
| Mineral fuels | 1,307.6 | 1,476.2 | +12.9% | 4.4% |
| Miscellaneous manufactured articles | 1,105.7 | 1,696.0 | +53.4% | 5.0% |
| Non-monetary gold | 7,480.6 | 9,900.1 | +32.3% | 29.3% |
| Services | 7,571.7 | 9,760.4 | +28.9% | 28.9% |
| Total exports | 27,270.1 | 33,812.3 | +24.0% | 100.0% |

Source: State Statistics Committee press release, 21 January 2026. Growth rates relative to 2024 full year.

Table 5. Import Structure (SITC) — Full Year 2025, USD million

| Import Category | 2024 (USD mn) | 2025 (USD mn) | Growth (%) | Share 2025 (%) |
|---|---|---|---|---|
| Machinery & transport equipment | 13,548.6 | 15,995.9 | +18.1% | 33.8% |
| Industrial goods | 6,055.1 | 7,258.4 | +19.9% | 15.3% |
| Chemical products | 4,688.0 | 5,600.4 | +19.5% | 11.8% |
| Services | 4,678.5 | 5,270.6 | +12.7% | 11.1% |
| Food and live animals | 3,695.8 | 4,563.0 | +23.5% | 9.6% |
| Mineral fuels | 3,953.1 | 3,998.6 | +1.2% | 8.4% |
| Total imports | 39,968.3 | 47,354.5 | +18.5% | 100.0% |

Source: State Statistics Committee press release, 21 January 2026. Machinery & transport (33.8%) reflects ongoing industrialisation and investment activity.

In 2025, fruit and vegetable exports reached USD 2,121.2 million (+36.9%), accounting for 6.3% of total exports; volume was 2,162.7 thousand tonnes (+6.2%). Textile product exports totalled USD 2,632.5 million but declined 8.2% year-on-year — finished textile products accounted for 54.3% and yarn for 27.0% of textile exports. Services exports grew strongly to USD 9,760.4 million (+28.9%), led by travel/tourism (50.0%), transport (33.0%), and telecoms/IT (9.4%).

## 4. DISCUSSION

The full-year 2025 official data confirm a remarkable trajectory: Uzbekistan's foreign trade turnover more than doubled between 2021 and 2025, reaching USD 81.2 billion (+92.9%). The 2025 growth rate of 20.7% substantially outpaced the 5.8% recorded in 2024, suggesting that the cumulative effects of trade liberalisation,

WTO accession preparations, and structural reforms are compounding over time. However, attributing this growth exclusively to tariff reforms would be methodologically inappropriate: exchange rate liberalisation, logistics improvements, GSP+ status, and global commodity prices contributed simultaneously.

The decline in industrial goods exports (–4.5%) and textile exports (–8.2%) in 2025 challenges a uniformly positive interpretation. These sectors, despite protective tariff measures, face competitiveness pressures — consistent with Krugman's (1979) prediction that increasing-returns industries require sustained policy support beyond tariff protection alone. The 29.3% share of non-monetary gold in total exports represents a persistent concentration risk.

WTO Accession Status: By October 2025, bilateral negotiations with 31 WTO member states had been concluded, including the European Union (24 October 2025) and major partners (USA, China, UK). The German Economic Team (2025) projects that completion of accession — involving an 80% reduction in tariff rates — will generate an additional 0.4% annual real GDP growth and a 0.9% welfare improvement. These Ricardian projections are conservative and exclude potential gains from non-tariff barrier reduction.

Digitalization of Customs: From 1 January 2025, real-time data transmission between customs and tax authorities. From 1 May 2025, a customs valuation control regime for 70 product categories (declared prices cannot fall below 80% of 90-day moving average) — an effective anti-transfer-pricing measure. From 1 January 2026, an AI-based e-invoice risk-scoring system is planned, assigning low, medium, or high risk to each transaction (EY, 2025).

The three tariff functions generate inherent tensions in Uzbekistan's policy design. The fiscal function is enhanced by import volume growth rather than rate increases. The protective function is selectively applied through exemptions for production inputs while maintaining higher rates for finished consumer goods. The regulatory function increasingly incorporates digital tools. This differentiated approach aligns with Deardorff and Stern (1987) second-best policy recommendations in the presence of market failures.

## 5. CONCLUSION

First, full-year 2025 official data confirm foreign trade turnover of USD 81.2 billion, representing a 92.9% cumulative increase from 2021. Exports reached USD 33.8 billion (+24.0%) and imports USD 47.4 billion (+18.5%), with the trade deficit at USD 13.5 billion.

Second, a data correction from previous versions is maintained: the 2024 turnover figure is updated to USD 67.2 billion (from 65.9 billion previously cited from interim reports), and the 2023 figure stands at USD 63.5 billion, as confirmed in the January 2026 official press release.

Third, the 29.3% share of non-monetary gold in exports constitutes a persistent concentration risk. The declines in industrial goods (–4.5%) and textile exports (–8.2%) signal that protective tariff measures alone are insufficient to build sustained export competitiveness in manufacturing.

Policy Recommendations: (1) Implement the AI-based customs risk-scoring system as planned (January 2026); (2) Harmonise tariff schedules with WTO commitments; (3) Diversify the export base to reduce gold dependency through targeted industrial policy; (4) Implement active labour market policies for sectors facing increased import competition upon WTO accession; (5) Commission gravity model econometric research to quantify the independent contribution of tariff reforms to trade growth.

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