

Achieving Economic Efficiency through the Customs Processing Regime: Problems, Solutions, and Opportunities

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Abstract: This article analyzes the impact of the customs processing regime on economic efficiency, its practical mechanisms, existing problems, and opportunities. The main focus is on the conditions created for local manufacturers through the regime and the opportunities for further improvement. The experience of Uzbekistan is compared with international approaches.

Key words: customs regime, processing, economic efficiency, export, Uzbekistan, simplified procedure, monitoring.



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Introduction. In the context of global economic integration and heightened competition, countries are developing a variety of mechanisms aimed at stimulating domestic production and enhancing export potential. These mechanisms are designed to improve the overall economic performance of nations and enable them to better navigate the challenges of global trade. Among the key strategies being implemented, the customs processing regime stands out as a critical tool for boosting economic efficiency. This regime offers significant advantages by enabling enterprises to process imported raw materials without the burden of customs duties, thus reducing operational costs and enhancing competitiveness. Additionally, it allows companies to export the processed goods as finished products, thereby increasing export volumes and contributing to economic growth. The customs processing regime, therefore, not only fosters industrial development but also plays a pivotal role in expanding international trade opportunities for countries.

Methodology. In writing this article, methods such as economic analysis, legal document review, statistical data analysis, and comparative analysis of international experiences were employed. Data from the State Customs Committee of the Republic of Uzbekistan, the UNCTAD (United Nations Conference on Trade and Development), and the WTO (World Trade Organization) were utilized.

Analysis and Results. The creation of broad opportunities and favorable conditions for entrepreneurial entities within the customs processing regime directly influences the increase in the volume of goods processed under this regime. Several key indicators determine the effectiveness of this regime. Among these, the total value of processed goods, their share in

exports, the share of export value in total exports, and the ratio of the added value created through processing to the value of imported raw materials (i.e., processing profitability) are of particular importance. Notably, the share of processed products in total exports is considered one of the main indicators of processing potential in the country. Additionally, analyzing the structure of formalized goods, the assortment of processed products, and their level of diversification helps to assess the opportunities of this regime in greater depth.

In recent years, due to the increased attention given to the customs processing regime in Uzbekistan, positive changes have been observed in the dynamics of the key indicators reflecting the effectiveness of this regime.

Table 1.1: Dynamics of Export of Processed Goods under the Customs Processing Regime in Uzbekistan

Period	Total Goods Export (mln USD)	Processing Export (mln USD)	Share (%)
2019	14 337,90	111,67	0,78
2020	13 123,80	368,05	2,80
2021	14 063,20	313,96	2,23
2022	15 349,60	570,81	3,72
2023	19 246,50	832,37	4,32

Source: Prepared by the author based on data from the State Committee of the Republic of Uzbekistan on Statistics, “Socio-Economic Situation of the Republic of Uzbekistan” // Bulletin – Tashkent, 2019–2023, and the State Customs Committee under the Ministry of Economy and Finance of the Republic of Uzbekistan.

As can be seen from the table above, although the export volume of products manufactured under the customs processing regime still does not occupy a large share of total exports, statistical data from the past five years indicate a steady growth trend in this indicator. By 2023, the share of processed goods in total exports had reached 4.32 percent.

It can also be observed that the volume of goods registered under the customs processing regime has been increasing year by year. Over the past five years, the value of goods registered under the processing regime rose from USD 67.6 million to USD 812.4 million, increasing twelvefold. The share of goods registered under the processing regime in total imports also grew during this period, rising from 0.31 percent to 2.28 percent (Table 1.2).

Table 1.2. Dynamics of Goods Registered under the Customs Processing Regime in Uzbekistan (in million USD)

Period	Total Goods Import (mln USD)	Processing Regime (mln USD)	Share (%)
2019	21866,5	67,60	0,31
2020	19955,1	769,33	3,86
2021	23724,2	324,64	1,37
2022	28172,9	600,55	2,13
2023	35574,8	812,40	2,28

Source: Prepared by the author based on data from the State Committee of the Republic of Uzbekistan on Statistics, “The Socio-Economic Situation of the Republic of Uzbekistan” // Bulletin – Tashkent, 2019–2023, and data from the State Customs Committee under the Ministry of Economy and Finance of the Republic of Uzbekistan.

The growth rates reflected in the above two tables can be attributed to the following two main factors:

Firstly, in recent years, the government has focused significant attention on creating favorable conditions for entrepreneurs involved in processing goods under the customs processing regime. This includes the adoption of several important decrees, such as the Presidential Decree of the Republic of Uzbekistan No. PF-115 dated April 25, 2022, on “Additional Measures for Simplifying the Application of the Customs Processing Regime” [7], and the Presidential Resolution No. PQ-392 dated October 12, 2022, on “Measures to Ensure the Continuity of Raw Materials in Industrial Production” [8], which introduced a number of changes to the procedures for registering goods under this regime.

Secondly, as a result of extensive promotional efforts aimed at informing entrepreneurs about the benefits provided to participants in the TIF (Trade and Investment Facilitation) scheme, goods previously registered under the free circulation (import) customs regime have started to be processed under the customs processing regime by entrepreneurial entities.

As a result, the number of business entities registering goods under the processing regime in Uzbekistan, as well as the range of goods registered under this regime, is steadily increasing. Specifically, the number of business entities registering goods under the customs processing regime increased from 49 in 2019 to 274 in 2023, a 5.5-fold increase. The number of goods registered under the regime (at the 4-digit HS code level) also increased from 124 to 260, a twofold increase (Table 1.3).

Table 1.3. Dynamics of the Application of the Customs Processing Regime

№	Indicators	2019	2020	2021	2022	2023
1	Number of organizations registering under the regime	49	93	104	179	274
2	Number of types of goods registered under the regime	124	121	157	209	260

Source: Prepared by the author based on data from the Customs Committee under the Ministry of Economy and Finance of the Republic of Uzbekistan.

According to Article 80 of the Customs Code of the Republic of Uzbekistan, the customs processing regime for imported goods must be completed by exporting the processed goods or placing them under another customs regime no later than the expiration date.

The number of permits granted for processing is also growing at a rapid pace (Table 1.4).

Table 1.4. Dynamics of the Application of the Customs Processing Regime

№	Indicator	2023 (January-April)	2024 (January-April)	Difference	Percentage Difference
1	Number of organizations	109	212	103	94,5%
2	Number of permits	269	506	237	88,1%

Source: Based on the data from the State Customs Committee under the Ministry of Economy and Finance of the Republic of Uzbekistan, prepared by the author.

As seen in the table above, the number of entrepreneurs registering goods under the customs processing regime in the period from January to April 2024 reached 212 (compared to 109 in the same period of 2023), increasing by 103, or 94.5%. The number of permits issued for processing

also grew significantly, rising from 269 to 506, marking an 88.1% increase, driven by the importation of raw and dried fruits for sorting and packaging, vegetable oil for cleaning and packaging, mineral fertilizers for packaging, and the materials used for packaging these goods.

The rapid increase in the number of organizations registering goods under the customs processing regime indicates a growing awareness among entrepreneurs of the benefits of this regime. However, in 2023, 274 entrepreneurs registered goods under this regime, which accounted for only 0.78% of the external economic activity participants (35,000), 0.99% of the importers (27,700), and 3.75% of the exporters (7,300) [35], demonstrating the low utilization of this regime by entrepreneurs.

Based on the data analyzed, it is evident that to effectively use the customs processing regime in our country, attention must be given to diversifying the composition of goods placed under this regime and expanding export geography. The positive result is the steady increase in the number of organizations using the regime, the growing share of products created under the regime in national exports, and the fact that the scope of the regime's application is gradually expanding, showing that there is potential for further development of the regime.

Conclusion: The customs processing regime is becoming an essential strategic tool in Uzbekistan's economic policy. Thanks to recent regulatory and legal frameworks and favorable conditions, the application of this regime is expanding, and its economic efficiency is increasing.

The statistical data above confirms that the share of processed products in exports, the volume of registered goods, and the number of participants are all steadily growing, confirming that the customs processing regime plays an essential role not only in boosting foreign trade but also in enhancing national production capacities and creating added value for economic growth.

To further improve the effectiveness of this regime, the following mechanisms should be strengthened:

1. Simplifying the customs clearance process – Implementing digital platforms for filling out customs documents and improving the "single window" system for entrepreneurs using the processing regime.
2. Expanding tax and customs incentives – Providing additional incentives for goods directed to processing, particularly for producers of high-tech products.
3. Improving monitoring and control systems – Automating the monitoring of processed products and introducing an audit system based on international standards to ensure transparency in the sector.
4. Strengthening promotional activities to attract investments – Promoting the advantages of the customs processing regime among foreign investors and supporting the creation of export-oriented clusters.
5. Enhancing human capital – Regular training for customs officials and company representatives in modern processing technologies, international customs procedures, and logistics is crucial.
6. Developing regional infrastructure – Expediting product turnover by developing technological parks, logistics centers, and customs terminals in regions where the processing regime operates.

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