THE ECONOMIC POTENTIAL OF THE KHOREZM REGION AND PROSPECTS FOR ITS DEVELOPMENT
The Khorezm region is located in the north-west of the Republic of Uzbekistan with a total area of 6,300 square kilometers.

In the northeast with the Bukhara region (47 km), in the south and west with Turkmenistan (379.5 km) and in the north with the Republic of Karakalpakstan (278 km).

The population is more than **1.8 million people**, and most of them (67%) live in rural areas. In the national structure of the population are Uzbeks - 97.7%, Karakalpaks - 0.09%, Kazakhs - 0.6%, Russians - 0.4%, Tatars - 0.22% and other nationalities.

As of January 1, 2017, there are **4,300 Korean residents** in the region and account for **0.2%** of the region's population.
Distance to major cities:
- Russia – 1450 km
- Turkmenistan – 155 km
- Kazakhstan – 700 km
- Tajikistan – 1000 km
- Afghanistan – 1000 km
- Kyrgyzstan – 1300 km
Existing infrastructure

The airport is located in Urgench city, operating flights to the cities of Tashkent, Moscow, St. Petersburg, Milan, Paris, as well as international charter flights to the EU countries. New flights are planned to Frankfurt, Tokyo, Istanbul and Almaty.

3 railway stations - trips to the cities of Bukhara, Samarkand, Tashkent and Andijan, as well as to the Russian Federation and the Republic of Kazakhstan.

Length of railways - 128,7 km
INDUSTRIAL SECTOR
Benefits granted by the President of the Republic of Uzbekistan Sh.Mirziyoyev to entrepreneurs of Khorezm region

The newly established small industrial enterprises and micro-firms in the Koshkupir and Yangiarik districts until January 1, 2027 and in all other regions until January 1, 2022 is exempt from a single tax (income tax);

Until January 1, 2022 - enterprises engaged in the production of pharmaceutical, electrical and decorative-construction materials are exempt from taxes on the development and improvement of social infrastructure, land, property tax and mandatory payments to the Republican Road Fund;

JSC "Uzbekistan railways" provides delivery of products exporting enterprises registered in the Khorezm region at the rate of domestic tariffs to the state border.
### Liberalization of monetary policy

**Significant event in the economic history of Uzbekistan**

Absence of restrictions for the development of private entrepreneurship and attraction of foreign direct investment from September 2017

<table>
<thead>
<tr>
<th>Before the reform</th>
<th>After reform</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earlier in respect of exporters</strong> a requirement for the mandatory sale of foreign currency proceeds to the state in the amount of 25% was in force</td>
<td><strong>Free disposal of earned income</strong></td>
</tr>
<tr>
<td><strong>Regulated exchange rate of the national currency - UZS to USD</strong></td>
<td><strong>Determination of exchange rate based on market principles</strong></td>
</tr>
<tr>
<td><strong>Limitation on repatriation of net profit as well as the amount of foreign currency that could be acquired by individuals and legal entities</strong></td>
<td><strong>No restrictions for the repatriation of the net profit and the purchase of foreign currency</strong></td>
</tr>
</tbody>
</table>
GDP growth in the period of 2015-2016, %

- Uzbekistan: 7.8%
- Tajikistan: 6.9%
- Turkmenistan: 6.2%
- Kyrgyzstan: 3.8%
- Turkey: 2.9%
- Georgia: 2.7%
- Kazakhstan: 1%
- Russia: -0.2%
- Azerbaijan: -3.1%

Over the past six years, Uzbekistan has improved its position in the Doing Business rating of the registration of enterprises (11th place), the connection to the power supply system (17th place) and execution of contractual arrangements (39th place).

LEGAL BASIS

On the procedure for the establishment and organization of small industrial zones. SIZ's were created on the basis of P.D № 3513 dated February 2018 in Urgench city, Shavat, Urgench and Hazarasp districts.

On additional measures to improve the efficiency of free economic zones and small industrial zones.

RESULTS

- 5 SIZ's
- 14,0 ha/140 000 m²
- 94 projects
- 1191 new jobs
Priorities of Small Industrial Zones

→ Long-term lease for 5 years
With subsequent extension for the same period (subject to execution of project agreements)

→ Preferential rental rates
In the amount of the minimum rental rate for the use of state real estate, based on the type of activity undertaken on the leased area, without the use of increasing coefficients

→ Exemption from taxes for 2 years
Residents of SIZ are exempt for 2 years from the payment of property tax and income tax, entities applying a simplified taxation system - from the STP. The benefits are extended for an additional 2 years for a business entity which exports not less than 30% of the total volume of produced products

→ Mechanisms of support
Mini-banks, centers of assistance "Single Window" and representative office of the fund for export support of small businesses and private entrepreneurship is established in the territories of SIZ

→ Guarantee fund
Provision of unsecured loans to the residents of SIZ in accordance with the Resolution of the President of Uzbekistan
Interregional specialization of industry of Khorezm region

Textile industry in the city of Urgench and districts of Bagat and Shavat

Mechanical engineering and metalworking industry in the district of Khazarasp

Production of auxiliary products in the districts of Khiva, Kushkupir, Khanka, Yangiarik, Gurlan and Yangibazar
Accommodation of clusters of textile industry in the Khorezm region by chain connection

**Raw materials**
- Production of natural fiber:
  - cotton,
  - wool,
  - silk
- Agricultural enterprises, farmers and households

**Textile production**
- Processing of fiber:
  - production of yarn,
  - production of threads,
  - manufacture of fabrics
- Cotton ginning plants, textile complexes, etc.

**Finished products**
- Manufacture of finished products:
  - clothes
  - garments
  - textile products
- Small enterprises, family enterprises and households

**For sale**
- External markets
- Domestic market

**Prices**
- 1 kg of cotton fiber - $ 1.68
- 1 kg of yarn - 2,3 dollar
- 1 kg cloth - 4,5-5 dollar
- 1 kg finished products - 16 dollar
Large-scale projects implemented within the framework of the integrated program for the development of the Khorezm region for 2018-2019

- 17 projects worth 234.1 million dollars in the textile industry
- Three pharmaceutical projects worth 5.8 million dollars
- 8 projects valued at 4.7 million dollars in the automotive sector
- 6 projects worth 2.9 million dollars in the leather and footwear industry
- 31 projects worth 63.5 million dollars in the construction materials industry
- 6 projects worth 10 million dollars in the electrical industry
- Four projects worth 1 million dollars in agricultural machinery production
- 62 projects worth 62.4 million dollars in the food industry
AGRICULTURE
## Accommodation of crops in Khorezm region

<table>
<thead>
<tr>
<th>The total area of irrigated lands</th>
<th>204,700 hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sown land</td>
<td>192.7 thousand hectares</td>
</tr>
<tr>
<td>Cotton</td>
<td>88.6 thousand hectares (45.9%)</td>
</tr>
<tr>
<td>Cereals</td>
<td>33.2 thousand hectares (17.2%)</td>
</tr>
<tr>
<td>Vegetables</td>
<td>5,4 thousand hectares (2.8%)</td>
</tr>
<tr>
<td>Potato</td>
<td>2,4 thousand hectares (1.2%)</td>
</tr>
<tr>
<td>Melons</td>
<td>4,5 thousand hectares (2.3%)</td>
</tr>
<tr>
<td>Soybean</td>
<td>270 hectares (0.1%)</td>
</tr>
<tr>
<td>Rice</td>
<td>30.0 thousand hectares (15.6%)</td>
</tr>
<tr>
<td>Fodder crops</td>
<td>23.0 thousand hectares (11.9%)</td>
</tr>
<tr>
<td>New gardens</td>
<td>524 hectares (0.3%)</td>
</tr>
<tr>
<td>Other cultures</td>
<td>4,8 thousand hectares (2.5%)</td>
</tr>
</tbody>
</table>
Projects for implementation in the Khorezm region with the involvement of foreign financial institutions for 2018-2019

- 59 greenhouses with an area of 96.3 hectares
- 45 projects on fruit and vegetable processing by 33.3 thousand tons
- 13 poultry projects for 1.7 million heads
- Projects for breeding 500 families of bees
- 55 cold rooms with capacity 33 thousand tons
- 22 projects for processing milk for 25.3 thousand tons
- 3 projects on rabbit breeding 1,7 thousand heads
- 28 projects in the sphere of livestock breeding of cattle 3,6 thousand goals
SERVICES
The main directions of the development of services in the Khorezm region

Diversification of services and creation of new types of services

Development of traditional services

Organization of outsourcing services in industrial enterprises

Tourism

The main aspects of the development of services in the Khorezm region

Business centers  Shopping centers  Hotels  Restaurants
Tourism
Tourist potential

### Dynamics of the flow of foreign tourists

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of tourists (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>46.6</td>
</tr>
<tr>
<td>2017</td>
<td>60.0</td>
</tr>
</tbody>
</table>

In 2017, the number of tourists arriving in the Khorezm region from the Republic of Korea was 753 (in 2016 - 385) people.

### Geography of tourism

- **Europe**: 70%
- **East Asia**: 17%
- **CIS countries**: 6%
- **America**: 4%
- **Other**: 3%

### Transport and logistic

#### Improvement of international air flights, creating new flights:
- Flight: Tokyo-Samarkand-Urgench
- Istanbul-Urgench, Frankfurt-Urgench
- Almaty-Urgench-Tashkent

#### Improvement of the railway transport:
- Kazan-Urgench and other cities of the Russian Federation

#### Creation of charter flights:
- Fergana-Urgench
- Samarkand-Urgench, Termez-Urgench
- Karshi-Urgench

**Improvement of the railway transport:**
- high-speed train Tashkent-Samarkand-Bukhara
- Urgench-Khiva
- Andijan-Tashkent-Bukhara-Urgench.
Development of tourist routes in the Khorezm region for 2017-2021 years

2017 year

1. Cultural and historical tourism
2. Archaeological tourism
3. Ecological tourism
4. Youth tourism
5. Art tourism

2017 year

1. Cultural and historical tourism
2. Archaeological tourism
3. Ecological tourism
4. Gastronomic tourism
5. Youth tourism
6. Cultural and entertainment tourism
7. Sports tourism
8. Business tourism
9. Safari tourism
10. Agro tourism
11. Art tourism

2019-2021 years

1. Cultural and historical tourism
2. Archaeological tourism
3. Ecological tourism
4. Gastronomic tourism
5. Youth tourism
6. Cultural and entertainment tourism
7. Sports tourism
8. Business tourism
9. Safari tourism
10. Agro tourism
11. Family tourism
12. Adventure tourism
13. Extreme tourism
14. Children's tourism
15. Agricultural tourism
Foreign economic activity
### Foreign trade

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>growth rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total foreign trade</td>
<td>216,6</td>
<td>252,9</td>
<td>116,7</td>
</tr>
<tr>
<td>Export</td>
<td>95,6</td>
<td>120,2</td>
<td>125,8</td>
</tr>
<tr>
<td>Import</td>
<td>121,0</td>
<td>132,7</td>
<td>109,6</td>
</tr>
</tbody>
</table>

#### 2016 г.
- Export: 95,6 million dollars
- Import: 121,0 million dollars

#### 2017 г.
- Export: 120,2 million dollars
- Import: 132,7 million dollars
**Geography of export of Khorezm region**

<table>
<thead>
<tr>
<th>Country</th>
<th>Export Value (in thousand dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RUSSIA</strong></td>
<td>32 222,1</td>
</tr>
<tr>
<td><strong>CHINA</strong></td>
<td>27 118,6</td>
</tr>
<tr>
<td><strong>IRAN</strong></td>
<td>23 345,8</td>
</tr>
<tr>
<td><strong>GEORGIA</strong></td>
<td>10 923,4</td>
</tr>
<tr>
<td><strong>KAZAKSTAN</strong></td>
<td>9 729,1</td>
</tr>
<tr>
<td><strong>TURKEY</strong></td>
<td>5 659,1</td>
</tr>
<tr>
<td><strong>AFGHANISTAN</strong></td>
<td>2 205,8</td>
</tr>
<tr>
<td><strong>LATVIA</strong></td>
<td>1 975,7</td>
</tr>
<tr>
<td><strong>BELORUS</strong></td>
<td>1 324,9</td>
</tr>
<tr>
<td><strong>TURKMENISTAN</strong></td>
<td>907,9</td>
</tr>
<tr>
<td><strong>POLAND</strong></td>
<td>618,6</td>
</tr>
<tr>
<td><strong>MOLDOVA</strong></td>
<td>614,2</td>
</tr>
<tr>
<td><strong>UKRAINE</strong></td>
<td>602,6</td>
</tr>
<tr>
<td><strong>TAJIKISTAN</strong></td>
<td>546,9</td>
</tr>
<tr>
<td><strong>REPUBLIC OF KOREA</strong></td>
<td>147,3</td>
</tr>
<tr>
<td><strong>HONGKONG</strong></td>
<td>145,9</td>
</tr>
<tr>
<td><strong>FRANCE</strong></td>
<td>112,5</td>
</tr>
<tr>
<td><strong>OTHER COUNTRIES</strong></td>
<td>1 987,2</td>
</tr>
</tbody>
</table>
JOINT VENTURES

Number of joint ventures: 51

Number of investor countries: 16

- Russia: 12
- China: 9
- Switzerland: 5
- Republic of Korea: 5
- USA: 3
- Great Britain: 3
- Turkey: 4
FEZ “HAZARASP”

Free economic zone “Hazarasp” established according to the Decree of the President of the Republic of Uzbekistan №4931 of January 12, 2017. By this Decree, members of the free economic zone are granted tax and customs privileges. The activity of the FEZ is coordinated by the state unitary enterprise “Directorate of the FEZ “Hazarasp””, which was established in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of April 10, 2017 №196.
Tax preferences

Exemption of all taxes.

Period of privileges and incentives

- 3 years - if amount of direct investments is from 300 thous. to 3 mln USD;
- 5 years - if amount of direct investments is from 3 mln to 5 mln USD;
- 7 years - if amount of direct investments is from 5 mln to 10 mln USD;
- 10 years and 50% reduction of profit tax and unified tax for the following 5 years - if amount of direct investments is more than 10 mln USD.
Tax preferences

- Land tax
- Property tax
- Profit (income) tax
- Unified tax (for Small and Middle Enterprises)
- Tax on the development of infrastructure and amenities
- Obligatory payments to the Republican Road Fund and Republican Fund of Elementary and Secondary Education
CUSTOMS EXEMPTIONS

For the whole period of functioning enterprises are exempted from customs duties for imported:

+ Equipment
+ Raw materials
+ Production components

100% for goods aimed for exports

For the various terms depending on amount of FDI:

100% for goods aimed for domestic market
Availability of engineering and communication infrastructures

All participants of FEZ are guaranteed to be connected to all communication infrastructures as per the Decree of the President of the Republic of Uzbekistan №4931 on January 12, 2017.

- Power supply
- Gas supply
- Supply of drinking water
- Sewerage
THE PROPOSED PROJECTS FOR FOREIGN INVESTORS
## Information on projects offered to foreign investors

### In thousand dollars

<table>
<thead>
<tr>
<th>№</th>
<th>Industries</th>
<th>Number of projects</th>
<th>Cost of projects</th>
<th>Required amount of foreign investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total cost of projects</td>
<td>Required amount of foreign investments</td>
</tr>
<tr>
<td>1</td>
<td>Construction materials industry</td>
<td>4</td>
<td>34770,0</td>
<td>17955,0</td>
</tr>
<tr>
<td>2</td>
<td>Food industry</td>
<td>2</td>
<td>2852,7</td>
<td>2791,0</td>
</tr>
<tr>
<td>3</td>
<td>Pharmaceuticals</td>
<td>3</td>
<td>16216,8</td>
<td>8139,4</td>
</tr>
<tr>
<td>4</td>
<td>Agriculture</td>
<td>6</td>
<td>43426,1</td>
<td>37600,0</td>
</tr>
<tr>
<td>5</td>
<td>Electrotechnical industry</td>
<td>1</td>
<td>4500</td>
<td>4500</td>
</tr>
<tr>
<td>6</td>
<td>Leather and footwear industry</td>
<td>1</td>
<td>2000,0</td>
<td>600,0</td>
</tr>
<tr>
<td>7</td>
<td>Other industries</td>
<td>2</td>
<td>1219,0</td>
<td>593,8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>19</td>
<td>104984,6</td>
<td>72179,2</td>
</tr>
</tbody>
</table>
### Production of infusion solutions, ampoules and pills

<table>
<thead>
<tr>
<th>Initiator:</th>
<th>Imkoniyat sahovat LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project cost:</td>
<td>$14.4 million</td>
</tr>
<tr>
<td>FDI:</td>
<td>$6.9 million</td>
</tr>
<tr>
<td>Capacity:</td>
<td></td>
</tr>
<tr>
<td>Injection solutions -</td>
<td>13.5 mln</td>
</tr>
<tr>
<td>Infusion solutions -</td>
<td>10 mln</td>
</tr>
<tr>
<td>Pills -</td>
<td>26.2 mln</td>
</tr>
<tr>
<td>Payback period:</td>
<td>3.8 years</td>
</tr>
</tbody>
</table>

### Organization of production of fiberboard

<table>
<thead>
<tr>
<th>Initiator:</th>
<th>Rekam DSP LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project:</td>
<td>$1.3 million</td>
</tr>
<tr>
<td>FDI:</td>
<td>$1.0 million</td>
</tr>
<tr>
<td>Capacity:</td>
<td>200,000 sq.m</td>
</tr>
<tr>
<td>Payback period:</td>
<td>2 years</td>
</tr>
<tr>
<td>Export share:</td>
<td>40%</td>
</tr>
</tbody>
</table>
Creating a greenhouse of hydroponic type in Kushkupirs district

- Project cost: $5,5 million
- FDI: $5,5 million
- Capacity: 2000 tons.
- Payback period: 4 years
- Export share: 60%
- Markets: Russia, Kazakhstan, CIS

Manufacturing fiber-optic cable

- Project cost: $4,5 million
- FDI: $3,9 million
- Capacity: 20,000 km.
- Payback period: 5 years
- Export: 60%
- Target group: Telecommunication and internet companies
Manufacturing Electro vehicles

Initiator: ST-Energy LLC
Project cost: 70 million USD
FDI: 55 million USD
Capacity: 8000 units
Payback period: 11 years

Modern oncology clinic

Initiator: Shifobakhsh najot suvi
Project cost: 8,6 million USD
FDI: 8 million USD
Capacity: 5,500 patients
Payback period: 1 year
Organizing logistics center

- **Project cost:** 8 million USD
- **FDI:** 8 million USD
- **Capacity:** 30,000 tones
- **Payback period:** 6 years

Manufacturing bi-metallic radiators

- **Initiator:** Taraqqiyot Imkoniyat LLC
- **Project cost:** 2.96 million USD
- **FDI:** 1.2 million USD
- **Capacity:** 120,000 units
- **Payback period:** 3.6 years
**Production of baby diapers**

**Initiator:** Jamol-Yulduz Savdo Servis LLC

- **Project cost:** 1,2 million USD
- **FDI:** 0,6 million USD
- **Capacity:** 4,500,000 packs
- **Payback period:** 3 years

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**Manufacturing modern bikes**

- **Project cost:** 1,0 million USD
- **FDI:** 1,0 million USD
- **Capacity:** 50,000 units
- **Payback period:** 2 years
- **Export share:** 80%
- **Markets:** Russia, Iran, S.Korea
**Allahkuli Khan Karavansaray**

- **Project cost:** 3,0 million USD
- **Area:** 6000 sq. m.
- **Capacity:** 60 rooms
- **Payback period:** 3 years

**Hotel & Resorts**

- **Project cost:** 20 million USD
- **FDI:** 20 million USD
- **Capacity:** 120 rooms
- **Area:** 4000 sq. m.
- **Recreational area:** 2000 sq. m.
- **Payback period:** 11 years
THANK YOU FOR YOUR ATTENTION!!!