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APPROACHES TO OPTIMISING IMPORT CUSTOMS DUTY RATES IN THE CONTEXT OF ECONOMIC INTEGRATION

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Abstract. This article examines the fiscal, industrial, and institutional dimensions of optimising import customs duty rates in the context of economic integration. It provides a comparative and structural analysis of the formation and development of Uzbekistan's import customs duty system since 1995, the tariff reforms undertaken in 2017–2019, the dynamics of import duty revenues in 2020–2024, and international experience in tariff escalation. On this basis, the study proposes an optimal tariff corridor and a phased optimisation mechanism that jointly take into account the degree of product processing, domestic production, legitimate imports, fiscal revenues, and international tariff commitments.

Keywords: economic integration, import customs duty, customs tariff, tariff rate, optimisation, tariff escalation, fiscal efficiency, domestic production, World Trade Organization.

Аннотация. В данной статье рассматриваются фискальные, промышленные и институциональные аспекты оптимизации ставок ввозных таможенных пошлин в условиях экономической интеграции. Проведен сравнительный и структурный анализ формирования и развития системы ввозных таможенных пошлин Узбекистана с 1995 года, тарифных реформ, осуществленных в 2017–2019 годах, динамики поступлений от импортных пошлин в 2020–2024 годах, а также международного опыта тарифной эскалации. На этой основе предложены оптимальный тарифный коридор и поэтапный механизм оптимизации, которые комплексно учитывают степень переработки продукции, внутреннее производство, легальный импорт, фискальные поступления и международные тарифные обязательства.

Ключевые слова: экономическая интеграция, ввозная таможенная пошлина, таможенный тариф, тарифная ставка, оптимизация, тарифная эскалация, фискальная эффективность, внутреннее производство, Всемирная торговая организация.

INTRODUCTION

The deepening of integration processes in the world economy places a dual requirement on national customs-tariff policy: on the one hand, it should protect the interests of domestic producers and contribute to state budget revenues; on the other hand, it should ensure that market-access conditions are predictable, transparent, and consistent with international rules. In this sense, the customs tariff is not merely a fiscal instrument but also an economic regulator that simultaneously affects import flows, domestic value added, consumer prices, and the cost of production inputs [1; 2].

Uzbekistan's accession to the World Trade Organization reached an advanced stage in 2026. At the 13th meeting of the Working Party, held on 27–28 July 2026, the country reaffirmed its objective of completing the accession process during 2026. It was reported that 31 bilateral market-access agreements had been submitted to the WTO Secretariat and that 190 legal and regulatory instruments had been brought into conformity with WTO rules since March [3]. Under these circumstances, the optimisation of import customs duty rates becomes an important mechanism for aligning the national tariff with international commitments while maintaining fiscal sustainability.

The purpose of this study is to assess existing approaches to setting import customs duty rates under conditions of economic integration; to conduct a structural analysis of tariff reforms and customs revenue dynamics in Uzbekistan; to compare international experience in tariff escalation; and to propose optimisation criteria and a mechanism capable of reconciling fiscal interests, domestic production, and international commitments.

LITERATURE REVIEW

In classical international economics, a customs tariff is interpreted as an instrument that affects the relationship between domestic and world prices, regulates imports, and, at the same time, generates government revenue. Contemporary approaches place greater emphasis not only on the nominal tariff level itself but also on the effective rate of protection, the tariff's position within the production chain, and the elasticity of trade flows [4; 5]. Accordingly, an optimal tariff policy should not be confined to raising or lowering individual rates; rather, it should align the structure of tariff rates with broader economic objectives.

In WTO practice, "tariff escalation" refers to the application of relatively low tariff rates to raw materials, higher rates to semi-finished goods, and still higher rates to finished products. This mechanism can support domestic processing industries, while the gradual optimisation of tariff peaks and escalation remains an important issue in international trade negotiations [1; 6]. Thus, tariff escalation may serve as an instrument for supporting national industry while remaining consistent with WTO bound rates and market-access commitments.

Research by Uzbek scholars has addressed the calculation and collection of customs payments, customs valuation, customs tariffs, customs audit, and fiscal efficiency from a range of perspectives. S. Aripov examined the regulation of foreign trade through customs payments; T. N. Pardayev and co-authors studied the theoretical and practical mechanisms of customs payments; O. A. Sarmanov analysed the accounting and analysis of customs payments; and V. V. Popov developed a methodology for the multilevel economic analysis of customs payments [7–10]. The distinctive contribution of the present article is to integrate the tariff structure, fiscal outcomes, and the requirements arising from international integration within a single optimisation framework.

RESEARCH METHODOLOGY

The study employs systemic, comparative-legal, historical-retrospective, dynamic, structural, institutional, benchmarking, case-study, and scenario-analysis methods. Using a historical-retrospective approach, the development of Uzbekistan's import customs duty system from 1995 to the present is divided into four stages, with the legal and regulatory foundations, tariff levels, and economic orientation of each stage being assessed.

The empirical base comprises changes in import customs duty rates introduced in 2017–2019; customs payments and import duty revenues for 2020–2024; the tariff structure across successive editions of the Commodity Nomenclature of Foreign Economic Activity (CN FEA); tariff rates applied to raw materials, semi-finished goods, and finished products in developed economies; and practical outcomes from the jewellery industry.

Comparative-legal analysis is used to juxtapose WTO tariff commitments with national customs-tariff legislation; dynamic and structural analyses are applied to assess revenues, tariff rates, and their distribution across commodity lines; and the benchmarking approach is employed to identify elements of foreign tariff-escalation practices that may be appropriate for Uzbekistan.

ANALYSIS AND RESULTS

In recent years, the fiscal role of import customs duties in Uzbekistan's state budget has strengthened substantially. Import duty collections increased from UZS 3,553.7 billion in 2020 to UZS 10,033.8 billion in 2024, representing a 2.8-fold increase. Over the same period, the share of import duties in total customs payments ranged from 12.5% to 16.0%. These dynamics demonstrate that the assessment of tariff policy should consider not only the level of individual rates but also the expansion of the import base, the structure of tariff rates, exemptions, incentives for legitimate imports, and the broader conditions of foreign trade.

Table 1. Dynamics of Import Customs Duty Revenue in Uzbekistan, 2020–2024

Year	Total customs payments, UZS billion	Import duty, UZS billion	Share of import duty, %
2020	24,723.2	3,553.7	14.4
2021	33,226.2	4,764.9	14.3
2022	46,024.5	5,745.7	12.5
2023	58,388.0	9,606.1	16.0
2024	63,105.8	10,033.8	15.9

Source: author's calculations based on data from the customs authorities.

To assess current directions in the optimisation of import customs duty rates accurately, it is important to consider the logic underlying the formation of the national tariff system in historical sequence. The evolution of

tariff-based foreign trade regulation in Uzbekistan can usefully be divided into four stages. This periodisation shows that tariff policy initially shifted from administrative measures towards tariff instruments, subsequently moved towards facilitating imports, then focused on the institutional improvement of the customs tariff, and ultimately progressed towards closer alignment with international principles.

Stage I — Transition to Tariff-Based Regulation of Foreign Trade (1995–1998).

The central feature of this stage was the gradual transition from non-tariff and administrative instruments of foreign trade regulation to tariff mechanisms. Presidential Decree No. PF-1205 of 1995 and Resolution No. 287, adopted to implement it, introduced new import and export duty rates from 1 October 1995. In 1996, Resolution No. 342 established new rates for 97 commodity groups in order to regulate imports and support domestic producers: the minimum rate was 5%, the upper rate for many goods was 30%, while rates of 10% and 20% applied to other groups; goods not included in the list were subject to a 1% rate, and the average rate was approximately 20%.

The adoption of the Law “On Customs Tariff” in 1997 provided an institutional foundation for this stage. The Law brought the rules governing the formation and application of the customs tariff and the collection of duties into a unified legal framework, while linking the country’s integration into the world economy with the protection of national economic interests. In 1998, Presidential Decree No. PF-1930 and Resolution No. 80 further systematised the regulation of imports through tariffs; Resolution No. 137 established an approach under which the prevailing rates applied to goods originating in countries enjoying most-favoured-nation treatment, while higher rates applied to goods from countries without such treatment. Thus, during the first stage, import duties were established primarily as a core economic instrument for regulating foreign trade and supporting the domestic market.

Stage II — Facilitation of Foreign Economic Activity (1999–2002).

During the second stage, the protective function of the tariff system was retained, while the need to stimulate imports of goods not produced domestically or insufficiently supplied in the domestic market became more pronounced. Resolution No. 66 of 2 February 2001 applied relatively high rates to certain commodity lines, including duties of up to 100% on selected categories of motor vehicles. However, Resolution No. 189 of 31 May 2002 approved new import customs duty rates, which entered into force on 1 July. These changes covered a broader range of goods and were intended to encourage imports of products not produced in the country or in short supply in the domestic market. The second stage should therefore be regarded not simply as a period of tariff reduction, but as a stage in which policymakers sought a balance between the protective and supply functions of the tariff.

Stage III — Systematic Improvement of Customs-Tariff Regulation (2003–2016).

Between 2003 and 2016, greater emphasis was placed on aligning the commodity nomenclature of the customs-tariff system with international classification standards, clarifying the types of tariff rates, and strengthening support for domestic production. Presidential Resolution No. PQ-183 of 19 September 2005 revised import customs duty rates, applying ad valorem rates within a range of 5–30% and expanding the use of compound rates. Presidential Resolution No. PQ-823 of 27 March 2008 supported the harmonisation of the Commodity Nomenclature of Foreign Economic Activity with the Harmonized Commodity Description and Coding System. This contributed to the evolution of the tariff from a primarily fiscal charge into a regulatory mechanism linked to the precise classification of goods.

Presidential Resolution No. PQ-1169 of 5 August 2009 continued the policy of applying customs-tariff methods recognised in international practice and creating conditions for the production of competitive finished goods for both domestic and foreign markets. From the standpoint of optimisation, an important feature of this stage was the gradual shift in tariff policy from setting isolated rates to taking account of sectoral interests and value-chain considerations. In other words, the relationship between imports of raw materials and components, the degree of domestic processing, and the support of markets for finished products increasingly shaped the economic rationale of tariff decisions. This created a methodological basis for the subsequent application of tariff escalation and differentiated rates.

Stage IV — A New, Integration-Oriented Phase of Customs-Tariff Regulation (2017 to the Present).

From 2017 onwards, tariff policy was characterised by substantial liberalisation and closer alignment with international principles. Under Presidential Resolution No. PQ-3303 of 29 September 2017, duty rates were reduced for more than 10,000 commodity lines, zero rates were introduced for 6,240 lines, and the simple average tariff fell from 15.62% to 6.45%. Presidential Resolution No. PQ-3818 of 29 June 2018 reinforced the priority of improving the tariff system with due regard to advanced international experience, principles, and standards; zero rates were applied to 6,200 categories of goods, while rates for more than 8,000 categories were substantially revised. Presidential Resolution No. PQ-4470 of 2019 further differentiated the tariff structure across commodity groups [12–14].

Unlike the preceding periods, the economic substance of this stage is characterised by the need to assess not only the protective level of a tariff rate but also its combined effects on production costs, investment and technological imports, consumer expenditure, legitimate trade flows, and international integration commitments. The Customs Code adopted in 2016 established a unified codified legal framework for customs payments, while the legal clarification in 2020 of the list of countries subject to most-favoured-nation and free-trade regimes strengthened the link between tariff treatment and country of origin. Consequently, the optimisation issue has evolved from the question “How high should the duty be?” to the more complex question “Which economically justified rate should apply to which product, at which stage of processing, and under which trade regime?” [11].

Table 2. Comparative Characteristics of the Stages in the Development of Uzbekistan’s Import Customs Duty System

Stage	Period and priority direction	Main content	Outcome from an optimisation perspective
Stage I	1995–1998 Transition to tariff instruments	Transition from non-tariff to tariff regulation; 97 commodity groups; 1–30% range; Law ‘On Customs Tariff’	The legal and institutional foundations of the tariff system were established
Stage II	1999–2002 Facilitation of foreign economic activity	Encouragement of imports of goods not produced domestically while maintaining relatively high protective rates	A balance was sought between protection and import-supply functions
Stage III	2003–2016 Systematic improvement	5–30% ad valorem rates, compound rates, alignment of the CN FEA with the international HS, and greater attention to production chains	The relationship between tariffs, sectoral structure and the degree of processing was strengthened
Stage IV	2017–present Liberalisation and integration	Large-scale tariff reductions, expansion of zero rates, and alignment with international principles and trade regimes	The need emerged for multi-criteria, differentiated optimisation consistent with international commitments

Source: systematised by the author on the basis of legal and regulatory materials.



Figure 1. Stages in the development of the import customs duty system and the logic of optimisation

Source: developed by the author.

A generalised analysis of this periodisation demonstrates that import customs duty policy in Uzbekistan has evolved not through a purely one-directional process of liberalisation, but through a broader process of functional transformation. Initially, the tariff served as an economic protection instrument capable of replacing administrative measures; in the second stage, the relationship between domestic supply and protection became increasingly important. During the third stage, the tariff became more closely linked to commodity nomenclature, production chains, and international classification standards. In the fourth stage, tariff policy evolved into a multi-criteria management system that simultaneously takes into account international integration, market access, the competitiveness of domestic production, and fiscal sustainability. Modern optimisation should therefore build on historical experience while taking into account the institutional and economic conditions formed over these four stages.

This evolution also substantiates the need for the optimal tariff-corridor approach proposed in this article. The experience of the first and second stages shows that relatively high rates may significantly increase import costs for certain goods, whereas the third stage highlights the importance of taking into account product classification and the degree of processing. By contrast, the fourth stage shows that large-scale tariff reductions should be complemented by regular assessments of the relationship among zero-rated inputs, the availability of domestic production, the market for finished products, exemptions, and international tariff commitments. Accordingly, the historical logic of tariff optimisation requires a transition from choosing between a “high or low rate” to a model of “differentiated rates aligned with economic functions.”

This approach is particularly relevant under conditions of economic integration. Free-trade regimes, most-favoured-nation treatment, and market-access commitments arising within the WTO framework may define the scope of national tariff policy; at the same time, international rules continue to allow tariff structures to be

differentiated according to the degree of processing, the economic function of imports, and the potential for creating domestic value added. From this perspective, the historical stages of development perform the role of an “institutional memory” for assessing prevailing tariff rates: every new tariff decision should demonstrate how it affects the protective, supply, fiscal, and integration functions established during earlier stages.

The tariff liberalisation undertaken in 2017–2019 is of particular significance when assessing the process of optimising import customs duty rates. Under Presidential Resolution No. PQ-3303 of 29 September 2017, rates were reduced for more than 10,000 commodity lines, and zero rates were introduced for 6,240 lines, resulting in a reduction in the simple average rate from 15.62% to 6.45%. Presidential Resolution No. PQ-3818 of 29 June 2018 strengthened the policy of aligning the tariff system with advanced international experience and international principles; zero rates were introduced for 6,200 categories of goods, and rates were reduced for more than 8,000 categories. Following Presidential Resolution No. PQ-4470 of 2 October 2019, the simple average import duty rate stood at 8.02% [12–14].

Table 3. Key Stages in the Optimisation of Import Customs Duty Rates, 2017–2019

Period and instrument	Main change	Significance from an optimisation perspective
2017, PQ-3303	Rates reduced for more than 10,000 commodity lines; 0% for 6,240 lines; average rate reduced from 15.62% to 6.45%	Sharp reduction in the tariff burden and broader access to imported inputs
2018, PQ-3818	0% rate for 6,200 categories of goods; rates reduced for more than 8,000 categories	Closer alignment of the tariff structure with international experience and principles
2019, PQ-4470	Zero-rated lines accounted for 39.3%; groups subject to 5%, 10%, 15%, 20% and 30% rates were restructured; average rate 8.02%	Differentiation of rates across sectors and commodity groups

Source: compiled by the author on the basis of legal and regulatory documents.

Alongside tariff reforms, technical consistency between the CN FEA and the applicable tariff rates is an important prerequisite for effective optimisation. The research materials indicate that the 2017 edition of the CN FEA contained 11,295 codes, whereas the 2022 edition contained 13,138 codes. The fact that tariff rates had been established on the basis of an earlier nomenclature created a need to further clarify the application of rates to newly introduced codes.

In optimising tariff policy, the impact of a tariff rate on the import base, legitimate trade flows, and the incentives facing economic operators is more important than the nominal rate itself. A practical case presented in the research materials provides a clear illustration: following the implementation of a proposal to reduce the import duty on finished jewellery from 20% to 10%, the number of reported smuggling cases decreased by half in 2025, while state-budget revenues increased by UZS 1.2 trillion as a result of the expansion of legitimate imports. This suggests that, for certain commodity groups, an economically justified reduction in the tariff rate may not lead to a fiscal loss; instead, it may generate additional revenue by encouraging a shift of imports towards formal trade channels [15; 16].

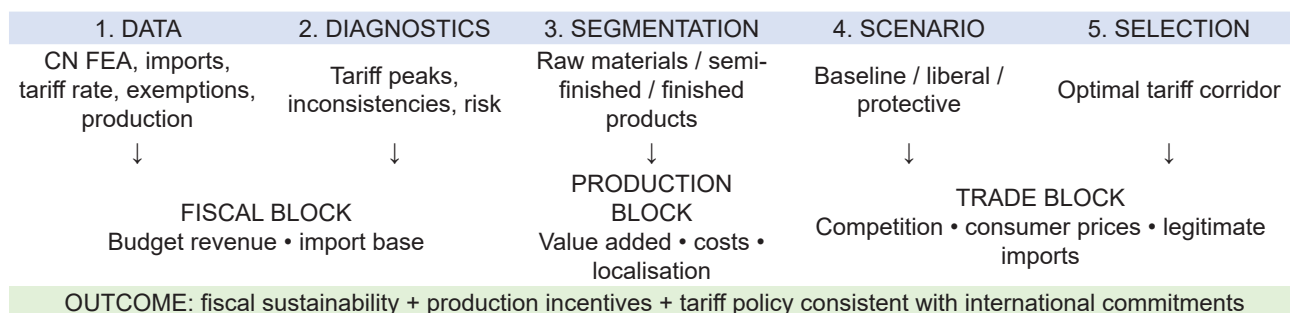


Figure 2. Integrated mechanism for optimising import customs duty rates

Source: developed by the author.

Under the proposed mechanism, tariff-rate setting proceeds through five sequential stages. First, data are compiled by CN FEA code on import volumes, applicable tariff rates, exemptions, the existence of domestic production, and the degree of product processing. Second, tariff peaks, inconsistencies in tariff rates, the economic necessity of imports, and the risk of illicit importation are assessed. At the third stage, goods are

segmented into raw materials, semi-finished goods, and finished products. At the fourth stage, alternative tariff rates are evaluated under different scenarios according to their impact on fiscal revenue, production costs, domestic competition, consumer expenditure, and legitimate imports. Finally, an optimal tariff

Table 4. Tariff escalation in the experience of developed economies (selected countries)

Country	Raw materials, %	Semi-finished goods, %	Finished products, %
United States	1.8	6.1	7.0
Canada	2.6	6.6	8.1
European Union	1.6	6.2	7.0
Austria	1.9	7.3	9.1
Norway	0.9	5.4	7.8
Japan	1.4	6.3	6.4

Source: systematised by the author on the basis of the research materials.

International experience demonstrates that tariff escalation is not an automatic formula for industrial protection, but rather an instrument for establishing an appropriate relationship between successive stages of the production chain. Accordingly, the appropriate approach for Uzbekistan is not to replicate foreign tariff rates directly, but to assess simultaneously, for each CN FEA group, the availability of raw materials, domestic production capacity, opportunities for import substitution, the impact on consumer prices, the risk of illicit imports, and the upper tariff ceiling under WTO commitments. Such an approach links the tariff corridor with sectoral policy and enables regular monitoring of changes in tariff rates.

CONCLUSION AND SUGGESTIONS

1. The optimisation of import customs duty rates should not consist of an across-the-board reduction or increase in rates. Rather, it should involve the formation of a differentiated tariff corridor according to commodity groups, their economic functions, and their stages of processing.

2. When applying tariff escalation along the “raw materials – semi-finished goods – finished products” chain, a corridor of 0–5% may be applied to raw materials and technological inputs not produced domestically, 5–10% to semi-finished goods, and economically justified higher rates to sensitive finished products. The final rate should remain within the bound tariff commitment applicable under the WTO framework.

3. For every tariff change, at least three scenarios — baseline, liberal, and protective — should be assessed across the chain “fiscal revenue – legitimate imports – domestic production – consumer prices – risk.”

4. The development of the import customs duty system from 1995 to the present reveals four functional stages of tariff policy: the formation of the tariff mechanism, import facilitation, systematic improvement, and integration-oriented liberalisation. When prevailing rates are reviewed, the historical function performed by each commodity group — protective, supply, fiscal, or integration-related — should first be identified, after which the optimal tariff corridor should be determined.

5. The tariff reforms of 2017–2019 demonstrate the importance of reviewing tariff rates by commodity group and economic function rather than maintaining them at uniform or predetermined levels. Alongside the tariff level itself, the balance among raw-material supply, domestic production, legitimate imports, and fiscal revenue should constitute a principal criterion in tariff decision-making.

6. It is advisable to develop a digital “tariff passport” for each CN FEA code together with an analytical module designed to support the formation of an optimal tariff corridor. The module should integrate import volumes, applicable tariff rates, exemptions, the degree of product processing, the existence of domestic production, price indicators, and risk measures.

7. The effect of tariff-rate reductions on encouraging legitimate imports should be assessed separately. The case of finished jewellery, where the tariff rate was reduced from 20% to 10% and this coincided with a halving of smuggling cases and an increase of UZS 1.2 trillion in budget revenue, illustrates the potential fiscal benefits of tariff optimisation.

8. A permanent tariff-policy monitoring system should be introduced, with an annual “tariff passport” prepared for each major CN FEA group. This passport should integrate import volumes, duties actually collected, the structure of tariff rates, exemptions, the existence of domestic production, price dynamics, customs infringements, and WTO tariff ceilings.

Implementation of the proposed approach would make it possible to manage import customs duty rates in a manner that integrates fiscal interests, industrial policy, and the requirements of international economic integration. As a result, the customs tariff could further develop into a data-driven and predictable management tool whose economic effectiveness can be systematically measured.

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