

Key bottlenecks for Uzbek exports to the EU

In April 2021, Uzbekistan received the GSP+ status from the EU, which significantly lowers tariff barriers for Uzbek products on the EU market. Against this background, we examine the bottlenecks for Uzbek products with the highest export potential in the EU – fruits and vegetables as well as apparel.

For fruit and vegetables, we identify as most pressing bottlenecks the cold chain, the availability of high-quality packaging and food safety certification. In the case of apparel, the poor image about labour standards is a significant obstacle, which prevails despite Uzbekistan meeting ILO standards. Another pressing bottleneck is the expensive audit of compliance with social standards.

To overcome these bottlenecks, we recommend supporting investment into precooling facilities, reducing Uzbek import duties for packaging and providing education, training and financial support for quality management at companies. In the case of apparel exports, we suggest an information campaign in the EU on compliance with ILO standards and a state support scheme for international social responsibility standards certification.

GSP+ and Uzbek export potential to the EU

In April 2021, the EU granted the GSP+ status to Uzbekistan, which removes customs duties on two third of EU tariff lines.

Against this background, we recently analysed the Uzbek export potential to the EU market and identified the corresponding top-20 products. These products could largely be assigned to the categories of fruits and vegetables, as well as textile and apparel.

In a follow-up analysis, we conducted structured interviews with producers and exporters, transport and logistics companies as well as sector specialists to find out what is preventing Uzbekistan to increase exports to the EU. The key bottlenecks for fruits and vegetables as well as apparel are summarised in the following.

Bottlenecks for exports of fruits and vegetables

In the value chain of fruits and vegetables exports to the EU, we identified three significant bottlenecks. These are the cold chain, packaging and food safety certification.

Cold chain: Uzbekistan developed an extensive network of large cold storage facilities, but they are mostly not designed to provide precooling services. There is only a limited number of facilities providing services of precooling, cleaning, sorting, packaging and further cooling. Fruits and vegetables are frequently sorted and

packed immediately at fields resulting in a higher share of rotten products, lower prices and increased risk of rejection by buyers, especially in EU. Additionally, farmers frequently do not understand the importance of correct temperature regime for fruits and vegetables, which varies for different products.

To overcome these problems, we suggest supporting investments into small, close-to-field precooling facilities, and conducting a targeted education campaign explaining the importance of cold chains to farmers.

Packaging: The packaging issue is more acute for preserved fruits and vegetables. These are usually packed in tin cans, in polymer and carton food packages or in glass bottles and jars.

Tin cans as well as polymer and carton packages are light-weight, cheap in transportation and therefore very suitable for exports. However, they are not or only to a limited extent produced domestically and have to be imported. Additionally, they are subject to custom duties of moderate 5% to 10% for tin cans and high 15% and 30% for polymer and carton packages.

Glass bottles and jars, on the other hand, are domestically produced and thus easily available. But they are heavy and can be used for exports to EU only if a high profit margin is to be expected. Producers report the problem that the size and forms of jars sold on the domestic market are not attractive for foreign consumers, e.g. jars are too large. Additionally, the supply is not flexible, it is expensive to order specially designed jars and bottles. Glass packaging is also subject to import duties, which lie between relatively high 10% to 20%.

We recommend reducing or eliminating import duties for packaging products in order to increase domestic competition and improve its variety.

Food safety certification: To target the EU market international standards like Global G.A.P. and ISO 22000 need to be implemented by producers. These certificates are quite costly, e.g. Global G.A.P. can cost up to USD 10,000. The costs are also high for the preparation of certification, which includes restructuring of production facilities and training of personnel. The state currently compensates the costs of certificates but not the costs for preparation.

Aside from costs, there is little understanding of the importance of quality management among farmers. Producers often focus on getting the certificate rather than building sustainable quality management systems and embedding this culture.

We recommend not purely focusing on obtaining the relevant certificates, but also on building viable quality management systems at companies by combining education, training and financial support. This should lay the foundation for obtaining certificates in the future without further preparation.

Bottlenecks for exports of apparel

The two largest bottlenecks that we have been able to identify for apparel exports are Uzbekistan's poor image regarding labour standards as well as high costs of international audits of social standards compliance.

Poor image regarding labour standards: In the past, Uzbekistan was not compliant with ILO standards. However, through sustained and determined efforts "systematic and systemic use of child labour and forced labour in Uzbekistan's cotton industry has come to an end" as ILO states in its 2021 report. Compliance with these standards was also a precondition for receiving the GSP+ status. Despite these achievements, large brands are still reluctant to cooperate with producers from Uzbekistan as the negative perception still prevails.

We suggest conducting an information campaign in the EU on compliance with ILO standards and on positive results of companies' international certifications. Of course, it is also important to ensure that ILO standards continue to be fully and consistently met.

Audit of social standards compliance: Exports of apparel to the EU often require international certifications. These are for example the *Business Social Compliance Initiative (BSCI)* for compliance with social standards, *Sedex* for ethical and responsible business practices and *STeP by Oeko-Tex* for environmentally friendly and socially responsible production facilities in the textile and clothing industry. However, these certificates are quite costly with up to EUR 22,000 per year and audit. The preparation process is also associated with high costs.

To alleviate this bottleneck, we recommend introducing a state support scheme for companies seeking certification of compliance with international social responsibility standards.

Conclusion

Uzbekistan has significant potential to increase exports of fruits and vegetables and textiles to the EU. Despite past reform efforts and achievements like the GSP+ status, there are still many bottlenecks preventing producers and exporters from fully realising this potential.

Key bottlenecks for exports to EU

Fruits and vegetables
Limited availability and use of precooling facilities
Packaging not fitting export needs
Food safety certification
Apparel
Poor image of Uzbekistan regarding labour standards
Social standards compliance audit

Source: own research

In our analysis, we provide an overview of the most pressing problems and suggest how they could be addressed. As part of the international support for Uzbekistan, our team stands ready to continue supporting the government on its path to strengthen trade relations with the EU.

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A more comprehensive analysis is provided by our Policy Briefing: [How to realise Uzbek export potential to the EU: Key bottlenecks in two value chains](#)

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