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IMPROVEMENT OF THE ORGANIZATIONAL LEGAL BASIS OF FOREIGN ECONOMIC ACTIVITY

Abstract: This paper explores the administrative legal foundations necessary to enhance foreign economic activity (FEA) in the Republic of Uzbekistan, focusing on the core areas of tax policy, currency regulation, and customs legislation. In Uzbekistan, the legal framework governing FEA has undergone significant reforms in recent years, yet administrative inefficiencies and legal gaps continue to pose challenges for both domestic and foreign businesses. This article analyzes the current state of administrative law in Uzbekistan as it pertains to FEA and suggests ways to improve the organization and functioning of tax, currency, and customs regulations in the country. The paper concludes by offering recommendations for legal reforms to streamline FEA processes, reduce bureaucratic obstacles, and improve the overall business environment.

Keywords: Foreign Economic Activity (FEA), administrative law, currency regulation, tax law, customs legislation, legal reform, international trade, economic growth.

I Introduction

In the globalized economy, foreign economic activity plays a vital role in the development of national economies, fostering international trade, and attracting foreign investment. The organizational and legal foundations of foreign economic activity (FEA) ensure that trade operations, financial exchanges, and cross-border investments are regulated effectively. The administrative and legal mechanisms that govern taxation, currency regulation, and customs procedures are key areas that need to be addressed to enhance Uzbekistan's attractiveness as a destination for foreign investment and international business. Despite the progress made, several obstacles remain in the functioning of these regulatory areas, including inefficiencies in administrative procedures, inconsistent enforcement, and outdated legal frameworks. These issues can create barriers for businesses, especially foreign investors, by increasing costs and uncertainties in conducting trade and investment operations. Therefore, improving the administrative legal foundations of tax, currency, and customs law is essential for ensuring that Uzbekistan's legal environment supports foreign economic activity effectively.

This paper examines the administrative legal framework governing FEA in Uzbekistan, specifically focusing on the key areas of tax law, currency regulation, and customs legislation. The article will analyze the current challenges, provide recommendations for improvements, and suggest reforms that align with international best practices to foster a more efficient and transparent business environment.

II. Research results and discussion. Currency regulation is one of the most crucial components in facilitating or hindering foreign economic activity. A robust currency management system

ensures smooth transactions in international markets, mitigating risks associated with exchange rate fluctuations and capital flight. The existing legal framework in many countries often imposes stringent regulations on foreign exchange transactions, limiting the free flow of capital. In some cases, overly restrictive policies on currency conversion, repatriation of profits, and restrictions on foreign currency accounts can deter international investment and trade. A comparative analysis of international practices highlights the benefits of liberalizing currency regulations to encourage foreign investment while ensuring financial stability. For example, adopting flexible exchange rate mechanisms and enhancing transparency in foreign exchange controls can reduce the negative impact of currency fluctuations on international transactions. Tax law plays a central role in shaping the business environment for both domestic and foreign investors. In Uzbekistan, tax policy has undergone numerous changes, but administrative inefficiencies persist in its application, often creating confusion for investors and businesses. The complexity of tax laws, inconsistencies in enforcement, and a lack of clear guidelines hinder the full potential of foreign economic activity. [1].

Despite progress in modernizing Uzbekistan's tax system, businesses often face delays in obtaining tax-related approvals, filing returns, and receiving refunds. These bureaucratic hurdles increase the administrative burden on companies and discourage foreign investment. While Uzbekistan has made efforts to simplify its tax code, there remain ambiguities in the application of certain taxes, such as corporate income tax, value-added tax (VAT), and customs duties. The lack of clarity leads to inconsistent enforcement by tax authorities, which can create unfair advantages for some businesses and leave others uncertain about their tax obligations. The tax system in Uzbekistan remains complex, with multiple taxes and fees that require significant administrative effort to navigate. Foreign investors often find it difficult to understand the intricacies of tax rates, reporting requirements, and the interaction between different taxes. Tax laws play a fundamental role in shaping the business environment for foreign investors and multinational companies. Effective tax policies should balance the need for revenue generation with the goal of maintaining an attractive environment for international businesses. Uzbekistan should streamline tax administration by reducing paperwork, automating tax filing and payment systems, and enhancing digital services. The introduction of e-filing systems and tax portals would reduce delays and improve efficiency. Enhance Transparency and Clarity: Clearer guidelines on tax obligations for foreign businesses are needed. Transparent rules, particularly in relation to corporate taxes, VAT, and tax incentives, would help create a more predictable business environment. Simplifying the tax code, eliminating redundant taxes, and offering a clear framework for tax exemptions will help both foreign and domestic businesses comply more easily. Increase Training and Capacity Building: Improved training for tax administrators is essential to ensure consistent and fair enforcement of tax laws. Developing a professional cadre of tax officers who understand international business practices will foster trust in the system[2].

Customs procedures are integral to the smooth operation of international trade. In Uzbekistan, the customs system has undergone reforms aimed at simplifying procedures and improving efficiency, but significant administrative challenges remain. Despite the introduction of reforms aimed at simplifying customs processes, many businesses still face delays in clearing goods at borders. These delays are often the result of complex documentation requirements and inconsistent customs inspections. The customs valuation process is often unclear, with businesses facing difficulties in predicting duties, taxes, and tariffs. The absence of consistent customs enforcement results in uncertainty for businesses, especially foreign companies. High tariffs and non-tariff barriers such as import licensing, quotas, and technical regulations can make it difficult for businesses to access the Uzbek market. These barriers increase costs for foreign businesses and slow down the movement of goods. Customs legislation is another critical element influencing the efficiency of foreign economic activity. An efficient customs regime is vital for ensuring the smooth flow of goods across borders, reducing costs, and minimizing

delays. However, outdated customs laws and cumbersome procedures often hinder trade operations, increasing the cost of doing business. Uzbekistan should continue to streamline customs procedures by adopting more automation and reducing manual paperwork. The introduction of an electronic customs clearance system would significantly reduce delays and improve efficiency. Transparent customs valuation rules, clear tariff schedules, and consistent enforcement are necessary to build trust in the system. Uzbekistan should establish clearer rules for tariff classification and valuation, ensuring that businesses can predict their customs liabilities more accurately. Efforts should be made to reduce non-tariff barriers by harmonizing customs regulations with international standards and simplifying technical regulations. Adopting risk-based customs inspection systems would also help speed up the movement of goods across borders.[4].

Currency regulation is a critical aspect of foreign economic activity, as it affects the ease of cross-border transactions, investment flows, and overall economic stability. Uzbekistan has undertaken substantial currency reforms in recent years, yet several administrative challenges persist in the management of currency exchange and capital flows. Capital Flow Restrictions: While Uzbekistan has liberalized its foreign exchange regime to a large extent, there are still some restrictions on the free movement of capital and currency conversions. This creates difficulties for foreign investors who seek to repatriate profits or exchange currency for international transactions. Administrative Hurdles in Currency Transactions: Although there are fewer restrictions now than before, foreign businesses still face delays and bureaucratic obstacles when attempting to transfer money or convert local currency (som) into foreign currencies. These delays create inefficiencies and raise transaction costs for businesses involved in international trade. Currency volatility increases transaction costs and exposes investors to higher risks when engaging in international contracts or financing activities. Further Liberalization of Currency Controls: To enhance the ease of doing business and attract foreign investment, Uzbekistan should continue to liberalize its foreign exchange regime, eliminating remaining restrictions on currency conversion and capital flows. This would help ensure that businesses can move capital freely across borders without unnecessary delays or risks. Administrative processes for currency conversion and international transfers need to be further streamlined. Introducing faster, more transparent procedures for foreign exchange transactions, coupled with improved customer service at banks and financial institutions, would increase investor confidence. Uzbekistan should introduce financial products that allow businesses to hedge against exchange rate fluctuations, such as currency futures or forward contracts. Additionally, improving exchange rate stability through sound monetary policy will reduce the risks faced by foreign investors. [5].

Reasons for protectionism is that the economy usually adopts protectionist policies to encourage domestic investment in a particular industry. For example, tariffs on foreign shoe imports will encourage domestic manufacturers to invest more in shoe production. Although domestic producers are in a better position, domestic consumers are in a worse position as a result of protectionist policies, as they may have to pay higher prices for goods or services of slightly lower quality. Thus, protectionist policies tend to be very popular among businesses and very unpopular with consumers. Benefits of protectionism are that protectionism provides opportunities for local businesses to grow until they can compete with more experienced firms in the international market. Import reduction: protectionist policies help reduce the level of imports and allow a country to increase its trade balance. More jobs: higher employment occurs when domestic firms increase their workforce. Disadvantages of protectionism are that since domestic manufacturers do not need to worry about foreign competition, they have no incentive to innovate or spend resources on research and development of new products Limited choice for consumers: Consumers have access to fewer goods on the market as a result of restrictions on foreign goods. Price increases due to lack of competition: consumers will have to pay more

without seeing a significant improvement in the product. Economic isolation often leads to political and cultural isolation, which in turn leads to even greater economic isolation. Trade barriers are legal measures put in place primarily to protect the national economy. They usually reduce the number of goods and services that can be imported. Such trade barriers take the form of tariffs or taxes and usually benefit governments, domestic producers and national interests at the expense of consumers. Trade barriers usually exist to protect domestic producers or to promote political goals [6].

Anti-dumping provisions - the term “dumping” is used here to describe how foreign producers can “dump” their products on the domestic market at much lower prices than those offered by domestic producers. There are two possible reasons why a foreign manufacturer may decide to dump its products to another country. First, it may happen that goods can be produced abroad at a significantly lower price due to lower production costs, such as labor or raw materials, compared to the domestic market. In this case, a foreign company can still make a profit, despite advertising lower prices than domestic manufacturers. Secondly, dumping can be a deliberate predatory action of large multinational corporations in order to gain market share. Such large organizations may incur losses in the short term due to their large cash reserves and greater liquidity compared to smaller players. The goal is to force competitors to close by lowering the market price below which domestic producers can withstand. After the decline of domestic producers, a foreign enterprise will be able to establish monopoly pricing and see an increase in its profits [7]. To prevent such events, governments can introduce trade tariffs that will raise the prices of dumped goods and protect domestic suppliers. If the tactics are not aggressive enough, governments can impose sanctions against certain companies and completely ban them from doing business in the country of origin. An anti-dumping duty is a tariff levied on imports produced in foreign countries at a price below the fair market value of similar goods on the domestic market. The government imposes anti-dumping duties on foreign imports when it considers that goods are being “dumped” due to low prices on the domestic market. The anti-dumping duty is introduced to protect local enterprises and markets from unfair competition from foreign imports. The duty is established in the amount equal to the difference between the ordinary value of goods in the importing country and the market value of similar goods in the exporting country or other countries producing similar goods. Fiscal policy refers to the government’s fiscal policy, which includes government control over the level of spending and tax rates in the economy. The government uses these two tools to influence the economy. This strategy is the sister of monetary policy. Although both fiscal and monetary policies are linked to government revenues and expenditures and both seek to correct situations of excessive or insufficient demand in the economy. They do it in completely different ways. Proponents of using fiscal policy believe that public finances can influence inflation and employment by manipulating two key variables: the level of government spending or the amount of money the government spends the tax rate or the amount of money the government earns. Instead, if the government is faced with a situation of high inflation characterized by excessive demand in the market, it may pursue a restrictive fiscal policy. For example, the government may introduce new taxes and raise existing tax rates. This will reduce disposable income, which will lead to a drop in consumption and investment, thereby correcting the situation with excessive demand.

The proposed practical and theoretical reforms to the Tax Code, Currency Legislation, and Customs Code are aimed at addressing the administrative inefficiencies and legal uncertainties that currently hinder foreign economic activity in Uzbekistan. These reforms would not only improve the ease of doing business for foreign investors but also help Uzbekistan enhance its competitiveness in global markets. Practical reforms, such as the introduction of digital tax filing, currency liberalization, and a unified customs platform, would directly reduce bureaucratic hurdles and streamline administrative procedures. On the other hand, theoretical reforms, such as adopting flexible exchange rate policies and aligning Uzbekistan’s customs code with

international standards, would ensure that the legal framework remains stable, transparent, and predictable in the long term. In many countries, including Uzbekistan, the organizational and legal aspects of foreign economic activity are undergoing constant reform to align with global standards and ensure sustainable economic growth. A comprehensive legal framework is fundamental for regulating international economic relations, protecting national interests, and ensuring the rule of law in cross-border transactions. Legal certainty promotes foreign investment, enhances international trade relations, and provides protection for both domestic and foreign investors. It also helps manage risks associated with currency fluctuations, trade disputes, and legal conflicts. A strong organizational framework within the legal context ensures the effective implementation of policies and the enforcement of regulations governing foreign economic activity.

Fragmentation of Legal Norms: In many instances, the regulations governing foreign economic activity are dispersed across multiple laws, decrees, and subordinate legal acts. This fragmentation creates confusion and undermines legal clarity. Some aspects of the legal framework may not keep pace with changing global economic trends. For example, outdated customs procedures, trade tariffs, and restrictive foreign exchange regulations can hinder the development of foreign economic relations. Despite having comprehensive laws, weak enforcement mechanisms can reduce the effectiveness of regulations. Inconsistent application of laws or gaps in regulatory oversight can undermine investor confidence. The process for businesses to engage in foreign economic activity can be complex and bureaucratic. Excessive administrative hurdles and inefficient procedures discourage potential investors and traders from engaging in international commerce.

One of the primary steps is to harmonize and consolidate existing laws and regulations governing FEA. By creating a unified legal code or framework for international trade and investment, governments can ensure clarity and predictability for businesses and foreign investors. This could include simplifying customs procedures, streamlining licensing requirements, and establishing a clear set of rules for dispute resolution. It is essential for national legal frameworks to reflect current trends in global economic practices. This includes addressing issues related to e-commerce, intellectual property, digital trade, and cross-border data flow. Updating trade agreements and removing protectionist measures would also promote greater integration with the global economy. Effective enforcement is key to ensuring the success of any legal framework. Strengthening the judicial system, enhancing regulatory authorities, and improving transparency in dispute resolution can help build trust among foreign and domestic stakeholders.

III. Conclusion

In conclusion, to ensure Uzbekistan's competitiveness in the global economy, it is essential to continue modernizing its legal and administrative framework governing foreign economic activity. By implementing the proposed legislative changes, Uzbekistan can enhance its tax system, currency regulations, and customs procedures, making it a more attractive destination for foreign investment and international trade. The reforms outlined in this paper—such as simplifying tax processes, liberalizing currency controls, and streamlining customs procedures—are necessary to foster a business-friendly environment that encourages foreign companies to invest and trade in Uzbekistan. These changes will also reduce administrative inefficiencies, increase legal predictability, and ensure that Uzbekistan's legal framework aligns with international standards.

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