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CAR SERVICE ENTERPRISES IN OUR REPUBLIC

Until now, it was hoped that the auto industry would become a shining example of the country's industrial policy, and the engine of the country's sustainable economic growth. After more than 20 years of enjoying monopoly position in the market and extensive government support, it is not yet clear whether the Uzbek auto industry has accomplished this task. 13 What is clear at this time is that Uzbekistan aims to become a member of the WTO in a few years. However, after Uzbekistan's entry into the WTO, the auto industry, which has hitherto enjoyed the most favourable position domestically, will undoubtedly face many challenges and external pressure, following policy adjustments. After policy adjustments, Uzbek automakers may collapse, thousands of workers may lose their jobs, and auto-related sectors may also face a very critical economic situation. The possible policy adjustments arising because of WTO negotiations will be discussed later. Therefore, it is imperative that a correct development path for Uzbekistan's auto industry be selected, keeping in mind the country's WTO accession. Before this, one has to assess and clarify what scenarios are likely to arise in the WTO accession process and then address their potential implications for the Uzbek auto industry. This paper has three primary purposes. First, this paper aims at determining the extent to which major Uzbek automobile producers are subsidised and supported by the Uzbek government. Second, it will analyse whether and how such government support or incentivisation is compatible with WTO rules. Third, this paper will analyse the economic effects of Uzbekistan's accession to WTO on its auto industry.

Uzbekistan needs to abolish discriminatory taxation against foreign cars. From the outset of the development of the auto industry, the Uzbek government has been extending very generous tax breaks to UzDaewooAuto and its successor, GM Uzbekistan. For instance, UzDaewooAuto enjoyed various forms of State support in Uzbekistan; preferential disposal of government-vested properties, preferential allocation of foreign exchange, preferential treatment in obtaining loans, taxation and financing, etc. 59 According to the Special Cabinet Decree on this project, the 50:50 joint venture got bank credits under governmental guarantee and exemption from taxes.60 The Uzbek government even established a particular bank for the joint venture to support car sales and its exports.61 The same scenario has not changed much after GM replaced Daewoo. According to the 2008 Cabinet Decree, the Uzbek-American joint venture was also exempted from various taxes.62 Along with GM Uzbekistan, GM Power train, which produces vehicle engines, also received a tax break from all kinds of tax for ten years.63 The situation is also similar in case of MAN Auto-Uzbekistan.64However, by the end of 2018, the Uzbek government decided not to extend the above tax privileges to its main automaker, the majority State-owned GM Uzbekistan.65 GM Uzbekistan and other part assemblers are exempted only from value-added taxes.66 One explanation for tax privilege cuts is that it would make the national auto industry more competitive under harsher economic conditions, gradually preparing GM Uzbekistan for the realities following the State's WTO accession. WTO Members questioned the taxation policies of Russia and Kazakhstan, in relation to car engines. The Russian policy on imposing the so-called 'utilisation fee' to its car industry is illustrative of such a policy. 67 The utilisation fee increases with age and recycling cost ranges between $550 (for new cars) and $55,000 (for old trucks). While imported cars have been subject to the fee, the domestic manufacturers have been exempted as long as they commit to install numerous recycling drop-off points for automobiles.

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