

## **LEGAL REGULATION OF ELECTRONIC COMMERCE: CURRENT ISSUES AND DEVELOPMENT DIRECTIONS FOR ENTREPRENEURSHIP**

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**Abstract:** *this paper examines the current state and challenges of legal regulation in the field of electronic commerce in Uzbekistan. With the rapid growth of the global and domestic e-commerce sectors, the need for a robust and transparent legal framework becomes more urgent. The study analyzes key issues such as fragmented legislation, underdeveloped infrastructure, digital illiteracy, cybersecurity risks, and regulatory gaps. Special attention is given to the need for harmonization with international standards (UNCITRAL, OECD), strengthening consumer rights, improving data governance, and introducing legal innovations such as digital signatures and escrow services. The article also explores the state's role in creating a business-friendly digital ecosystem through tax incentives, infrastructure investments, and legislative reforms. Based on the analysis, the paper proposes practical directions for improving the legal environment to support entrepreneurs and ensure sustainable growth in Uzbekistan's digital economy.*

**Keywords:** *electronic commerce; digital economy; legal regulation; e-commerce law; Uzbekistan; UNCITRAL; OECD; cybersecurity; digital infrastructure; consumer protection; escrow services; digital signature; personal data; tax incentives; international harmonization.*

Electronic commerce has become one of the most important sectors of the global economy. According to estimates, the global volume of online sales exceeded \$30 trillion in 2023. In Uzbekistan, the share of e-commerce is also rapidly increasing: according to the National Agency for Perspective Projects, the volume of the e-commerce market exceeded \$1 billion in 2023 (around 4% of total

retail turnover), with expected growth to 15% in the coming years. As the market grows, the legal framework faces increasing demands. International standards, such as the 1996 UNCITRAL Model Law on Electronic Commerce [1], establish the principle of legal equivalence between electronic and paper documents in commercial transactions. OECD recommendations on consumer protection in e-commerce emphasize that online shoppers must receive at least the same level of protection as in traditional transactions. This includes transparency about sellers and goods, secure payment methods, effective dispute resolution, and data privacy [2]. National legislation should align with these international principles to ensure favorable conditions for business and consumer protection. In Uzbekistan, the key legal act in this field is the new Law “On Electronic Commerce” No. 3PY-792 dated September 29, 2022, effective as of December 31, 2022 [3]. The law introduces new terms (such as “digital goods” and “digital services”) and enshrines principles of quality assurance, transparency, and information security in electronic trade. This paper analyzes current issues in the legal regulation of e-commerce in Uzbekistan and outlines possible directions for further development in the interest of entrepreneurs.

#### Challenges in Legal Regulation of E-Commerce

**Weak infrastructure and digital literacy.** The primary obstacles to e-commerce development in Uzbekistan remain underdeveloped internet and logistics infrastructure, along with a relatively low level of digital literacy. Experts report insufficient broadband coverage and logistical difficulties in remote regions, limiting online sales. Suboptimal online payment systems further complicate fast and secure transactions, reducing consumer trust in online platforms.

**Cybersecurity and data protection.** The intensification of digitalization increases the risk of cyberattacks and data breaches. According to international reports, security threats to payment systems and data privacy remain a major concern. In Uzbekistan, amendments to the Law “On Personal Data” in 2021 introduced a requirement to store citizens' data within the country, adding compliance burdens for businesses and complicating interactions with foreign partners. The lack of clear cybersecurity standards undermines user trust and slows the growth of e-commerce.

**Fragmented and inconsistent legislation.** Despite having a basic legal framework, e-commerce regulation in Uzbekistan remains fragmented. Laws are often adopted in isolation without considering modern business models. Experts note that "e-commerce regulation remains fragmented, hindering sector growth." There is also inconsistency between national norms and international standards. For instance, the Civil Code and the Law “On Electronic Commerce” partially overlap, requiring clear conceptual alignment. There is a lack of mechanisms for resolving cross-border disputes, particularly when foreign sellers are involved.

**Administrative and legal restrictions.** A recent revision of the law tightened requirements for market participants. For example, the Draft Resolution of the Cabinet of Ministers No. 885 (2024) stipulates that only resident legal entities may operate e-commerce platforms, aggregators, or streaming services. This restricts foreign company participation and may reduce competition and investment. Bureaucratic barriers persist, such as licensing certain activities and complexities in digital taxation. Although the law mandates sellers to provide full business details (address, registration, license), compliance is often poorly

enforced, creating uncertainty and additional costs for businesses entering the online market.

#### Directions for Development of E-Commerce Regulation

**Harmonization with international standards.** Legislation should be guided by internationally recognized models. For example, the UNCITRAL Model Law on Electronic Commerce and conventions on electronic communication can serve as a basis for rules on digital signatures, electronic documents, and participant rights. OECD practices regarding online consumer protection (transparency, privacy, dispute resolution) should also be incorporated. In the context of the EAEU and WTO, Uzbekistan must align with trade facilitation policies to reduce cross-border barriers and improve legal predictability for businesses [4].

**Consumer protection and transaction security.** Strengthening consumer rights in the online environment is essential. Measures should include secure identity verification (digital signatures, SMS codes, biometrics), guaranteed delivery times, liability for product quality, and refund procedures. The law already equates electronic documents with paper ones, simplifying evidence of transactions. Escrow services, newly introduced by the law, should be promoted to increase trust. Government support for such services will foster a safer e-commerce ecosystem.

**Infrastructure and digital skills development.** Robust e-commerce requires well-developed digital infrastructure and trained professionals. The national “Digital Uzbekistan – 2030” program should be expanded to provide broadband access, enhance payment systems, and improve logistics. Emphasis should be placed on online banking, mobile wallets, and simplified payments.

Educational initiatives are also key—entrepreneurs and consumers must gain digital literacy to participate effectively in the digital market. The World Bank notes that realizing e-commerce potential requires investment in digital education, logistics, and legal harmonization.

**Law enforcement and tax incentives.** The state plays a critical role in shaping a business-friendly environment. Current incentives include a digital ecosystem with escrow conditions and temporary income tax exemptions for e-commerce operators. These should be extended, especially for startups and sellers on digital platforms. Legislative amendments are also needed: the Cabinet is preparing revisions to the Tax Code and e-commerce law to reflect new activities and streamline regulatory procedures. Improved enforcement and transparency will build trust among parties.

**Data governance and security.** A balanced approach to personal data regulation is crucial. While national data localization rules must be enforced, companies should also benefit from clear procedures and interoperable systems. A unified data registry and transparent data transfer policies would ease compliance. Effective cybersecurity measures, including independent monitoring and incident response bodies, must also be implemented to enhance trust in digital commerce.

The legal regulation of e-commerce in Uzbekistan is evolving rapidly. The adoption of the updated Law “On Electronic Commerce” [4] and digital ecosystem initiatives laid the foundation for sector growth and participant protection. The law affirms equal rights for consumers and businesses, introduces modern transaction tools (digital signatures, messages, escrow), and enforces product liability. However, unresolved issues remain, such as infrastructure challenges, cybersecurity, and alignment with international standards. It is essential that

regulations remain transparent and consistent, while state policies are stable and predictable. A comprehensive approach that combines infrastructure investment, platform support, and international legal harmonization will unlock the full potential of e-commerce and drive sustainable economic growth.

### **СПИСОК ИСПОЛЬЗОВАННЫХ ИСТОЧНИКОВ**

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