

IMPROVEMENT OF MECHANISMS FOR INCREASING EXPORT CAPACITY IN
UZBEKISTAN

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Annotation - Uzbekistan, a Central Asian nation with vast natural resources, has undergone significant economic reforms in recent years to diversify its economy and promote sustainable growth. One of the key areas of focus for the government has been enhancing the country's export capacity. As the global economy becomes increasingly competitive, the improvement of organizational and economic mechanisms to strengthen export potential is vital for fostering economic development, increasing foreign exchange earnings, and improving the nation's global trade standing.

Keywords – diversification, competitive, organizational mechanism, economic mechanism

Introduction

The role of export potential is of particular importance in the development of the country's economy. In this context, the effective use of export potential and the increase of export capacity in the country are crucial not only for the country but also for each entity involved in foreign economic activity. The development of export potential in the country can be achieved through the effective use of new technologies and the establishment of free trade zones in border areas with neighboring countries. In this process, the development of the activities of foreign economic entities creates opportunities to effectively utilize export potential by shaping specific directions for internal stimulation. As a result, the volume of competitive products regularly updated for both internal and external markets increase. This, in turn, contributes to the growth of export product volumes, thereby supporting the development of the country's economy. Achieving the development of export potential at the level required by modern standards and addressing the existing issues affecting this sector, studying the causes of their occurrence, and implementing measures to prevent them, as well as providing suggestions and recommendations within the development strategies of the country's economy, are among the urgent tasks of today.

The growing export potential in our country plays a crucial role in creating new jobs and improving the labor market. Specifically, new production capacities are being established in export-oriented industrial sectors, including textiles, automotive, agriculture, and the food industry. This, in turn, increases employment opportunities in the labor market, raises household incomes, and strengthens social stability in society. Furthermore, the development of exports increases demand for skilled workers, which, in turn, encourages the improvement of education and vocational training quality. Creating new jobs also helps address the youth employment issue. Uzbekistan's efforts to attract foreign investments will boost export activities. A country recognized as a successful exporter in global markets becomes more attractive for attracting investments. The inflow of additional capital creates opportunities for modernizing production sectors and implementing new technologies. Investments not only create new jobs but also lead to the renewal of industries, improvement of product quality, and development of technologies. This, in turn, increases the competitiveness of exports. The favorable investment environment and economic reforms created to enhance Uzbekistan's export capabilities help attract foreign companies to the country. Although Uzbekistan

THE MULTIDISCIPLINARY JOURNAL OF SCIENCE AND TECHNOLOGY

VOLUME-5, ISSUE-2

has traditionally exported cotton, natural gas, and other raw materials, special attention is now being given to the production of high value-added products. Significant growth is being observed in the export of Uzbek textiles, automotive, and food industries. Product diversification and industrial modernization increase the competitiveness of exports. The country is successfully moving toward exporting not only raw materials but also finished products. This further integrates Uzbekistan into global markets and ensures economic growth.

The development of export activities also helps strengthen international trade relations. Uzbekistan's foreign economic policy is focused on establishing ties with new markets and expanding existing partnerships. The country's membership in international trade organizations and the signing of new trade agreements will stimulate the growth of the country's exports. Through expanded connections with international markets, Uzbekistan successfully enters more countries with its products. This not only increases export volumes but also helps strengthen the country's position in the global economy. For example, the "Development Strategy of New Uzbekistan for 2022-2026" has set as one of its key goals the "WTO membership and deepening integration with the Eurasian Economic Union." To achieve this goal, the strategy includes conducting negotiations with WTO member countries, enhancing the capacity of experts in the areas of the organization and multilateral trade systems, studying the impact of WTO membership on Uzbekistan's metallurgy, textile, food, automotive industries, and national economy, developing a system to protect the domestic market through non-tariff measures in accordance with WTO rules, and formulating measures to support and subsidize exports. Uzbekistan's accession to the WTO will create favorable conditions for improving economic cooperation with other countries, increasing trade volumes, and enhancing external competitiveness by entering new markets. Now, let's take a look at what kind of organization the WTO is, what is required for membership, what it offers to member states, Uzbekistan's efforts to join the organization, and the outcomes of these efforts.

What kind of structure is the World Trade Organization?

The World Trade Organization (WTO), established in 1995, replaced the General Agreement on Tariffs and Trade (GATT) as the sole international body dealing with the global rules of trade between countries. One of the main goals of the WTO is to combat protectionism. This organization provides a favorable legal system for its member countries in international trade relations. The documents agreed upon by member countries hold them responsible for conducting their trade policies within the established guidelines. Decisions within the organization are made through consensus—by common voting among participating countries. The WTO's tasks include regulating trade processes based on specific rules, resolving trade disputes impartially between governments, and organizing trade negotiations. These activities are based on 60 agreements that set the fundamental legal norms of international trade and trade policy. The principles underpinning these agreements include non-discrimination, free trade terms, promoting competition, and additional rules for less developed countries. The WTO strictly requires member countries to liberalize their domestic markets. In many countries, this task is not easy because national enterprises unable to compete with foreign companies producing cheap and high-quality products might decline. The WTO is the largest international economic organization in the world, with 164 member countries, which together account for over 98% of global trade and global GDP. Currently, 23 countries are aiming to join the international trade system, and organizational work is underway. Uzbekistan is also in negotiations to join the WTO. This will play an important role in strengthening integration into the international trade system and

THE MULTIDISCIPLINARY JOURNAL OF SCIENCE AND TECHNOLOGY**VOLUME-5, ISSUE-2**

the global economy. By joining the WTO, member countries will benefit from a non-discriminatory and fair trade system, the maximum reduction of tariff protection, the removal of import quotas, and the opportunity to import goods at lower prices to enhance competitiveness. Additionally, the WTO helps protect domestic producers from harmful trade activities, strengthens the activities of trade-related institutions, supports legal and institutional policy frameworks, facilitates active participation in international trade negotiations, and develops norms to promote international trade, thereby protecting the interests of member countries. Uzbekistan's accession to the WTO will provide these advantages but also impose certain obligations on member states. This process involves long and complex negotiations, the development and implementation of legal documents, strengthening human resources and institutional capacity, and ensuring stable industrial development. Uzbekistan's path to WTO membership began in 1994 but was suspended in 2005 due to policies supporting local producers. On average, the WTO accession process takes about 9-10 years for most countries, though it can take 12-15 years for some. Despite submitting its application in 1995, Uzbekistan only started seeing positive progress in 2017. The main factors driving this progress include reducing the state's role and participation in the economy, implementing market principles and mechanisms in economic sectors, promoting private entrepreneurship, improving the business environment, and reducing the share of the "shadow" economy. Additionally, the country's clear and targeted actions to improve foreign economic activity, attract foreign capital, and raise the welfare and living standards of its population have had a positive impact.

Following the reforms that began in 2016 aimed at stabilizing the national economy and liberalizing foreign economic activity, Uzbekistan's accession to the WTO became a priority on the agenda in March 2018. In July 2019, Uzbekistan presented an updated memorandum on foreign trade regime and initial proposals for market access on goods and services. A five-year project to "Support Uzbekistan's WTO Accession" is being backed by the European Union. This project, which started in February 2020, primarily focuses on supporting the modernization of the national economy during the WTO accession process. The main objective of the project is to help Uzbekistan's economic development by creating a trade environment aligned with the organization's rules and enhancing integration into the international trade system. Uzbekistan's accession process involves fulfilling commitments outlined in at least 15 agreements, which are comprehensive and complex, covering a broad range of issues in global trade. These agreements are based on key principles such as non-discrimination, removing trade barriers, enhancing competitiveness, creating favorable conditions for underdeveloped countries, regulating trade with tariff methods, and ensuring the fairness of trade policy. By adhering to these principles, the WTO aims to eliminate trade obstacles between member countries, facilitate the free movement of goods, foster competition through new market entries, and provide various advantages for countries with underdeveloped or transitional economies. Currently, extensive reforms are being carried out in Uzbekistan to further develop foreign economic activity and expand trade and economic relations with other countries. In the context of globalization, developing international economic cooperation and strengthening integration into the global economy are key priorities for the country's social and economic development. This process facilitates the exchange of products, services, capital, and labor, resolves social issues through cooperation, fosters the production of higher-quality products under competitive pressure from new markets, accelerates economic growth, creates favorable conditions in international trade, and enables the widespread adoption and introduction of new technologies.

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VOLUME-5, ISSUE-2

It is known that the main idea of the WTO is to create favorable conditions for member countries to implement free trade policies. The primary goal is to establish a fair competitive environment in external trade relations between member countries. In this context, the initial priority for Uzbekistan in joining the WTO is to increase the competitiveness of locally produced goods in comparison to imported products, with no tariffs or non-tariff barriers. The state of competition in the production and trade of goods encourages local producers to further develop by adopting modern technologies and innovative approaches in the production process.

What are the benefits for Uzbekistan?

One of the important aspects of Uzbekistan's accession to the WTO is that most of the country's foreign trade partners are WTO member states. In trade and economic relations with these countries, Uzbekistan's participation as a third country will eliminate the negative impact on export potential caused by high tariff rates and non-tariff regulations imposed on goods exported from Uzbekistan. To illustrate this with practical numbers, currently, Uzbekistan has trade relations with 204 countries worldwide. A significant portion of the country's foreign trade turnover comes from WTO member states. Specifically, as of 2022, over half of Uzbekistan's total foreign trade turnover, or 61.5%, is with WTO member countries. In this context, Russia accounted for 18.6%, China 17.8%, Kazakhstan 9.2%, Turkey 6.4%, South Korea 4.7%, Kyrgyzstan 2.5%, and Germany 2.3%. Moreover, in recent years, Uzbekistan has taken active measures to expand its export geography and trade relations with WTO member countries, which are considered key partners. It is also important to note that WTO member countries play a major role as key partners in both export and import. Another crucial point is that Uzbekistan's accession to the WTO ensures full participation in the process of developing international trade rules, thus providing an opportunity to eliminate discriminatory restrictions applied by other countries in foreign trade relations. Based on the above, it can be concluded that Uzbekistan's membership in the WTO presents a range of advantages and benefits for the country. First of all, equal opportunities for market access in member countries will be created. By producing high-quality and competitive products, favorable conditions for increasing export potential will be provided. The development of national standards in line with international standards will help exporters adapt to foreign market demands. Additionally, the competitive environment will improve, and monopolies will be reduced. The strengthening of competition will lead to increased inflows of modern technologies and investments in economic sectors. Furthermore, Uzbekistan will have the right to participate in decision-making processes on global trade policies, and most importantly, the rights of our exporters in foreign trade will be protected. Uzbekistan's economic integration with global markets is a vital factor in increasing the efficiency of the national economy. It will also help accelerate scientific and technological progress and improve the standard of living of the population. The policy aimed at strengthening our country's integration into the global economic system is primarily focused on ensuring the stable growth of the national economy by increasing our export potential. Therefore, Uzbekistan's accession to this organization plays a significant role in establishing active cooperation with member countries and will be crucial for the stable development of our economy in the future. For this reason, Uzbekistan is making serious preparations for membership in the organization. As noted in the Address of the President of our country to the "Oliy Majlis" and the people of Uzbekistan, "We will complete the main negotiations for joining the World Trade Organization and accelerate the process of aligning national legislation and implementing new standards."

Conclusion

The development of Uzbekistan's export activity is of great importance for the country's economy, as this process has several positive effects. Firstly, the growth of exports ensures foreign currency inflows, helping to maintain the stability of the national currency. This is crucial for reducing inflation and maintaining economic stability. Developing exports increases opportunities for creating new jobs, which in turn raises income levels and ensures social stability. Additionally, the growth of export potential stimulates the attraction of investments and the development of technologies, leading to the modernization of industry and improvement in product quality. The diversification of exports, that is, producing and exporting high value-added products, allows the country to establish stronger ties with global markets. The expansion of international trade relations ensures stable economic growth and makes Uzbekistan more competitive in the world market. Overall, through the development of its export activity, Uzbekistan can achieve significant progress in economic growth, social stability, and global integration.

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