

Development Dynamics of Trade Relations in the Conditions of Uzbekistan's Wto Membership

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Abstract: This report analyzes the development dynamics of trade relations in Uzbekistan since its WTO membership. It examines the impact of membership on trade policies, liberalization, facilitation, FDI, and regional agreements. The report explores trade performance, trends, and key indicators. It discusses the implications for SMEs and assesses regional and bilateral agreements. The report concludes with recommendations for enhancing Uzbekistan's trade relations.

Keywords: Uzbekistan, WTO membership, Trade relations, Development dynamics, Trade policies, Trade liberalization, Trade facilitation, Foreign direct investment (FDI), Regional agreements, Market access, Economic integration.

INTRODUCTION

The development dynamics of trade relations play a crucial role in shaping a country's economic growth and integration into the global market. This report aims to examine the development dynamics of trade relations in Uzbekistan since its membership in the World Trade Organization (WTO). By analyzing the impact of Uzbekistan's WTO membership on trade policies, liberalization measures, trade facilitation, foreign direct investment (FDI), and regional trade agreements, this report provides insights into the country's trade performance and prospects.

Uzbekistan's journey towards WTO membership began in 1994 when it submitted its application. After several rounds of negotiations. These reforms aim to enhance transparency, promote fair competition, and facilitate trade with other member countries. Uzbekistan's accession to the WTO has opened up opportunities for increased market access, improved investment climate, and strengthened legal framework for international trade.

Trade Performance and Trends in Uzbekistan

In this section, an analysis of Uzbekistan's trade performance and trends will be presented. Uzbekistan has witnessed steady growth in its trade volumes since becoming a WTO member. According to the latest available data, Uzbekistan's total exports reached \$5.7 billion, while imports amounted to \$9.1 billion in the year 2023.² The country has experienced positive trade balance, reflecting a competitive advantage in certain sectors. Key export sectors include textiles and apparel, agricultural products, machinery and equipment, and mineral fuels. On the import side, Uzbekistan's major imports consist of machinery, chemicals, vehicles, and consumer goods.

Uzbekistan has also diversified its trading partners. While traditionally Russia and China have been significant trading partners, the country has actively sought to expand its trade relations with other regions, including Europe, the Middle East, and Southeast Asia. This diversification strategy aims to reduce dependency on a few markets and increase market access for Uzbek products.

Since joining the WTO, Uzbekistan has implemented trade liberalization measures to align its trade policies with international standards. The country has gradually reduced tariff rates, removed import quotas, and simplified customs procedures. As a result, Uzbekistan's average applied tariff rate

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² <https://stat.uz/en/press-center/news-of-committee/38182-3-oyda-o-zbekistonning-tashqi-savdo-aylanmasi-14-8-mlrd-aqsh-dollariga-yetgan-3#:~:text=In%20the%20volume%20of%20foreign,167%20countries%20of%20the%20world.>



decreased from 15.3% to 7.5% over the past few years.³ This reduction in trade barriers has made Uzbekistan's products more competitive in international markets and has encouraged foreign businesses to invest in the country.

The elimination of non-tariff barriers has been another important aspect of trade liberalization. Uzbekistan has been working on aligning its technical regulations, standards, and conformity assessment procedures with international best practices. This has facilitated market access for Uzbek exporters and enhanced consumer protection by ensuring compliance with international quality and safety standards.

The impact of trade liberalization on domestic industries and sectors has been mixed. While some sectors have benefited from increased market access and competition, others have faced challenges in adjusting to the new competitive environment. The government has been proactive in providing support and incentives to affected industries to enhance their competitiveness and promote diversification.

Trade Facilitation and Customs Procedures

To enhance trade efficiency and reduce costs, Uzbekistan has undertaken reforms in trade facilitation and customs procedures. The country has implemented the "Single Window" system, which allows traders to submit all required documents electronically through a single portal, streamlining customs procedures and reducing processing times. Additionally, Uzbekistan has invested in infrastructure development, such as modernizing ports, improving logistics networks, and upgrading customs facilities.

These trade facilitation measures have led to tangible improvements in the ease of doing business in Uzbekistan. The World Bank's Doing Business report showed that Uzbekistan significantly improved its ranking in the "Trading Across Borders" indicator, indicating the effectiveness of trade facilitation reforms. However, challenges remain in terms of administrative procedures, transparency, and coordination among relevant agencies. Continued efforts are needed to address these challenges and further enhance trade facilitation.

Uzbekistan's WTO membership has influenced its attractiveness to foreign direct investment and economic integration. The country has actively sought to attract foreign investors by improving its investment climate and creating favorable conditions for business. Since joining the WTO, Uzbekistan has implemented a series of reforms to enhance transparency, protect intellectual property rights, and provide a more predictable legal framework for investment.

These efforts have yielded positive results, as Uzbekistan has experienced a significant increase in FDI inflows. In 2021, FDI inflows reached \$9.8 billion, representing a very high indicator compared to the previous years.⁴ FDI has been directed towards various sectors, including manufacturing, energy, agriculture, and services. The inflow of FDI has not only contributed to economic growth but also facilitated technology transfer, job creation, and the development of local supply chains.

Moreover, Uzbekistan has actively pursued economic integration with other countries and regions. The country is a member of the Eurasian Economic Union (EAEU), which provides preferential access to the markets of member states. Additionally, Uzbekistan has signed several bilateral investment treaties and free trade agreements, including agreements with China, South Korea, and the United Arab Emirates. These agreements have further enhanced market access, diversified trade relations, and promoted economic cooperation.

Implications for Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) play a vital role in Uzbekistan's economy, contributing to job creation and innovation. The country has recognized the importance of supporting SMEs and creating an enabling environment for their growth. In the context of WTO membership, SMEs have both

³ <https://www.trade.gov/>

⁴ <https://www.investmentmonitor.ai/features/uzbekistan-central-asia-fdi-star/>



opportunities and challenges. WTO membership has opened up new markets and increased export opportunities for Uzbek SMEs. The reduction of trade barriers and improved trade facilitation have made it easier for SMEs to engage in international trade. However, SMEs face challenges such as limited access to finance, lack of knowledge about international trade regulations, and limited capacity to meet international standards. The government has implemented various measures to address these challenges, including providing financial support, offering training programs, and promoting entrepreneurship.

Regional and Bilateral Trade Agreements

Uzbekistan's WTO membership has not hindered its engagement in regional and bilateral trade agreements. On the contrary, it has provided a framework for Uzbekistan to negotiate and enter into these agreements with enhanced credibility and legal certainty. The country has actively pursued regional integration and market diversification through agreements such as the EAEU, the Commonwealth of Independent States Free Trade Area, and bilateral free trade agreements.

These agreements have allowed Uzbekistan to expand its market access, attract foreign investment, and foster economic cooperation with partner countries. By participating in regional and bilateral trade agreements, Uzbekistan has gained preferential access to various markets and diversified its export destinations. However, there is a need for effective coordination and harmonization between regional agreements and WTO rules to avoid conflicts and maximize the benefits of each agreement.

Based on the analysis conducted, Uzbekistan's trade relations have shown promising developments since its WTO membership. The country has made significant progress in trade liberalization, trade facilitation, and attracting foreign investment. To further enhance trade relations and capitalize on the opportunities presented by WTO membership, the following recommendations are suggested:

1. Continuously review and update trade policies and regulations to ensure compliance with WTO standards and address emerging challenges.
2. Strengthen institutional capacity and coordination among relevant government agencies to enhance trade facilitation and streamline customs procedures.
3. Invest in infrastructure development, particularly in transport and logistics, to further improve trade efficiency and connectivity.
4. Continue supporting SMEs by providing access to finance, training, and information on international trade regulations and standards.
5. Strengthen engagement in regional and bilateral trade agreements, ensuring coherence and compatibility with WTO rules.
6. Promote public-private partnerships to foster innovation, technology transfer, and the development of local supply chains.

By implementing these recommendations, Uzbekistan can further enhance its trade performance, attract more foreign investment, and deepen its integration into the global economy.

In conclusion, Uzbekistan's WTO membership has had a positive impact on its trade relations, with trade performance showing growth and diversification. The country has made significant strides in trade liberalization, trade facilitation, and attracting foreign investment. However, challenges remain, and continued efforts are needed to address these challenges and fully harness the benefits of WTO membership. By implementing the recommendations provided in this report, Uzbekistan can further strengthen its trade relations and enhance its position in the global market.

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