

METHODOLOGICAL CONSTRUCTION OF THE MECHANISM OF STATE SUPPORT FOR EXPORTS THROUGH SUBSIDIZING

Islamov Erkin Gayratovich

Research Fellow of the Tashkent Financial Institute

ANNOTATION

The article attempts to highlight the reasons for the increasing importance of improving the support system, the positive impact of exports on economic growth in our country, as well as its new aspects. The features and tasks of applying its effective tools and methods are described on the basis of mastering the world practice of an effective foreign trade operation and the experience of modern trends in the export promotion mechanism. The directions of supporting the positive impact of effective exports on economic growth in the prospects for the socio-economic development of the Republic of Uzbekistan until 2030 are substantiated.

Keywords: foreign trade operations, exports, export potential, economic growth, systemic problems of increasing the share of exports, financing of export operations, financial support for exports, financial services for exports, activities of export banks and credit agencies.

INTRODUCTION

IN "Concepts of integrated socio-economic development of the Republic of Uzbekistan until 2030", approved with the Decrees of the President of the Republic of Uzbekistan dated 08.01.2019 No. UP-5614, dated 10.01.2019 No. UP-5621 and dated 17.01.2019 No. UP-5635, as well as by order of the Administration of the President of the Republic of Uzbekistan dated 1 July 2019 No. 14983-xx., Special attention is paid to the creation of an effective mechanism for state support of exports[1].

In modern conditions of globalization, the economy of the Republic of Uzbekistan is increasingly integrated into the system of world economic relations, and its place in the world system of division of labor largely determines the possibilities of long-term development. Strengthening and expanding international economic cooperation provides for increasing the efficiency of using the global competitive advantages of the Republic of Uzbekistan in the world economic system, the participation of the Republic of Uzbekistan in the international system of division of labor due to: changes in the sectoral structure of the national economy, diversification of the geographical structure of foreign trade, development of foreign trade cooperation with foreign countries.

One of the priority areas of the foreign economic strategy of the Republic of Uzbekistan in the context of the implemented course for accession to the WTO is to increase national competitiveness, state support for the manufacturing sector and, first of all, its most competitive objects - exporting organizations.

A cardinal change in the conditions of international economic cooperation, providing significant positive effects for the national economy of the country, strengthening the position of the Republic of Uzbekistan in promising emerging markets in the context of solving the problems of diversification and innovative development is impossible without modernizing the mechanism of state support for exports.

The increased dependence of the state on the increased volumes of exports of strategic resources is a significant threat to the economic security of the country, which predetermines the need for a policy of supporting national exporters, reducing administrative barriers in the organization of foreign economic activity (FEA), promoting the development of small and medium-sized businesses and creating a full-fledged mechanism of state support for republican and regional levels.

In the context of the modernization of the national economy, a shift in emphasis from raw materials to high-tech export-oriented industries will contribute to the diversification and improvement of the structure of exports and the foreign economic complex as a whole, the entry of products of the Republic of Uzbekistan into new promising markets, as well as the growth of the country's budget revenues that do not depend on the situation in the commodity markets .

At the same time, the instruments of state support for exports are not effective enough due to the insignificant amount of allocated budget funds, the lack of consistency in the implementation of measures to stimulate export activities, and the lack of instruments to support the export of innovative products.

From a practical point of view, the task is to create an effective state system of financial support and export promotion. The development of product exports is an important part of the trade policy of most countries.

The production and export of high value-added products is considered as the basis for the economic growth of any country.

Of particular relevance for the Republic of Uzbekistan is the issue of using the advantages of the WTO in the formation of a competitive national policy in the field of support and promotion of exports, the key instrument of which is export subsidies.

Financial support for the export of high-tech products should become one of the priority areas of government policy

to ensure the competitiveness of national companies in the world market.

According to the author, the practice of using financial instruments to support exports in the Republic of Uzbekistan, on the one hand, largely contradicts the rules of the WTO and the OECD, and on the other hand, is far from being fully

reflects the possibilities of using financial support mechanisms

national exports of high-tech products, provided for

WTO and OECD standards. In this regard, in the conditions of the entry of the Republic of Uzbekistan into the WTO (today the Republic of Uzbekistan participates in the role of an observer and huge work is underway for its entry into the WTO), it is an urgent task to develop a national system of state financial support for the export of high-tech products that meets two requirements: firstly, it would be adequate to the requirements of the WTO and the OECD, and secondly, it would take into account as fully as possible the possible mechanisms of financial support for exports permitted under the rules of the WTO and the OECD.

Concentrated, the relevance of the topic of this scientific article is due to a number of objective circumstances:

- firstly, the transformation of the world market of high-tech products into a catalyst for economic development;

- secondly, insufficient knowledge of the issues of world practice of regulation of state financial support for the export of high-tech products;
- thirdly, the objective need to form a national system of state subsidies for the export of high-tech products in the Republic of Uzbekistan, adequate to the rules of the OECD and the WTO;
- fourthly, the practical significance of research related to the improvement of the state policy of financial support for the export of high-tech products and the development of appropriate recommendations.

In today's world, such support is legitimate if it is based on universally recognized international rules that

aimed at maintaining a balance associated, on the one hand, with the recognition of the right of countries to state support for national exports, and, on the other hand, with the observance of the principle of not distorting the competitive conditions of international trade.

The basis for the study in this scientific article was the work of economists involved in foreign economic activity, the study of export support systems, the development of industrial policy in Russia: Avdokushina E.F., Aganbegyan A.G., Barkovsky A.N., Glazyev S.Yu., Grinberg P.C., Denisov A.C., Drynochkina A.V., Dynksht A.A., Ivanova I.D., Zharshuva A.A., Kosminsky K.P., Kotlyarova H. I. , Lebedeva I.P., Magomedova Z.G., Migunova A.Yu., Nepssova D.A., Obolensky V.P., Oreshkip V.A., Pakhomova A.L., Rodygina N.Yu., Rozhkova I. V., Rybakova V.V., Savelyeva A.A., Sitaryapa S.A., Smitienko B.M., Smorodinskoy N.V., Spartaka A.N., Susanyan K.G. and others.

Methodological issues state support for national exports, the role of the WTO and the OECD in the regulation of export subsidies were introduced by a number of foreign authors - Dumoulin I.I., Zharinov A.A., Kleinshmidt E., Krugman P., Cooper R., Lederman D., Roderick D., Samen S. , Hosse X., Hauswirth A., Kostecki M., Molnar K., Kolodko G. and etc.

METHODS

Methodological base of the study is based on economic theory, the theory of financial and risk management, including the works of scientists on the problems of the mechanism of state support for exports. The following methods can be noted as tools: comparison, abstraction, analysis and synthesis, the method of ascent from the abstract to the concrete, groupings.

RESULTS

During the years of transformation of the socio-economic system, the Republic of Uzbekistan has weakened its position in the world market. This is due to the extremely inefficient structure of foreign trade turnover: the raw material orientation of exports, the low share of high value-added products in exports. In fact, there is a process of transferring the creation of added value abroad (Table-1).

Table 1 The structure of exports of the Republic of Uzbekistan by sections of the SITC (International Standard Trade Classification) of the United Nations (for January-April 2021)

*

Structure of SITC	Million USD		In % to the previous year		In % to total	
Total	4305.6	3482.0	87.1	80.9	100.0	100.0
Including:						
Food and live animals	275.0	312.4	75.8	113.6	6.4	9.0
Drinks and tobacco	9.6	8.7	147.4	90.4	0.2	0.2
Non-food raw materials, except fuel	187.1	172.9	69.4	92.4	4.3	5.0
Mineral fuels, lubricating oils and similar materials	239.1	149.2	36.3	62.4	5.6	4.3
Animal and vegetable oils, fats and waxes	5.8	1.0	160.9	17.1	0.1	0.0
Chemicals and similar products	259.1	305.9	93.3	118.1	6.0	8.8
Industrial goods	750.8	1248.9	83.4	166.3	17.4	35.9
Machinery and transport equipment	104.7	207.1	99.2	197.8	2.4	5.9
Various finished products	159.5	234.8	121.0	147.2	3.7	6.7
Other goods	1565.5	190.6	124.8	12.2	36.4	5.5
of which: gold	1557.1	-	126.5	-	36.2	-
Services	749.3	650.7	77.2	86.8	17.4	18.7

*Data of the Ministry of Finance of the Republic of Uzbekistan.

In the structure of exports, 81.3% is occupied by goods, which are mainly manufactured goods (35.9%), food products and live animals (9%), chemicals and similar products (8.8%). Sales of non-ferrous metals increased sharply - \$464.2 million (by 75.2%), textile yarn, textiles and finished products - \$658.4 million (by 71.9%), clothing - \$204.7 million (by 49.1%), cars - 125.4 million dollars (by 75.2%).

Export of fruits and vegetables amounted to 327.9 thousand tons, and in value terms exceeded \$186 million (by 0.5%).

Over the past three years, the volume of exports to the CIS countries has decreased, and their share in its total volume has decreased from 35.7% to 27.1%. Accordingly, the share in the total export volume of other foreign countries increased from 64.3% to 72.9%.

Compared to 2018-2019, our main partners in the export of goods and services in foreign trade turnover in January-December 2020 were such countries as China (12.8% of total exports), the Russian Federation (9.7%), Turkey (6.7%), Kazakhstan (6.0%), Afghanistan (5.1%), Kyrgyzstan (5.0%) and Tajikistan (2.7%). Their share in total exports reached 48.0%.

In the total volume and growth rates of exports of goods and services of twenty large partner countries of the Republic of Uzbekistan, there is a significant differentiation in the share of participants (Table-2).

Table 2. The volume and growth rate of exports of goods and services of twenty large partner countries of the Republic of Uzbekistan*

Countries	Million USD		Growth rates, in %		Occupied space	
	2020	2021	2020	2021	2020	2021
PRC	507.2	642.0	57.7	126.6	1	1
Türkiye	319.8	528.5	92.1	165.3	3	2
Russian Federation	418.2	495.3	63.2	118.5	2	3
Kazakhstan	233.5	338.3	58.1	144.9	4	4
Afghanistan	214.5	234.0	128.7	109.1	5	5
Kyrgyzstan	179.3	195.7	100.8	109.1	6	6
Tajikistan	119.7	121.9	153.6	101.8	7	7
Canada	23.6	65.7	110.5 rub.	2.8 p.	13	8
Iran	46.8	62.9	64.1	134.5	9	9
Ukraine	30.9	55.0	68.3	178.3	12	10
Pakistan	18.2	37.1	133.0	2.0 p.	16	eleven
Turkmenistan	38.9	36.5	114.1	93.8	10	12
Poland	17.0	24.5	120.7	144.3	17	13
Latvia	12.6	23.5	72.4	186.3	20	14
Azerbaijan	21.4	23.1	192.8	107.9	14	15
Singapore	12.2	19.1	88.0	156.7	21	16
Lithuania	5.6	17.2	67.7	3.0 p.	33	17
Qatar	0.1	15.9	32.9 p.	228.7 rubles	75	18
Germany	20.5	15.3	152.0	74.4	15	19
Belarus	13.9	14.4	92.2	103.6	19	20

*Data of the Ministry of Finance of the Republic of Uzbekistan.

It is noteworthy that Turkey (\$528.5 million) outstripped Russia (\$495.3 million) and took second place among Uzbekistan's export partners. Together with China, Kazakhstan, Afghanistan, Kyrgyzstan and Tajikistan, these countries account for 73.4% of the total exports.

DISCUSSION

Export subsidies are the most important instrument of international trade policy. The issue of export subsidies was

remains one of the main in the system of international economic relations. Throughout the history of the GATT/WTO, subsidies have been one of the main sources of trade disputes and tensions between countries.[2].

The WTO recognizes the right of governments to provide subsidies to national producers. At the same time, the WTO establishes certain rules and restrictions in the field of subsidies in order to prevent distortion of the conditions of competition in international trade.

Currently, the fundamental documents governing the use of subsidies in international trade are the WTO Agreement on Subsidies and Countervailing Measures and the OECD Agreement on Officially Supported Export Credits.

These international agreements, in fact, represent a compromise found at the present stage of development of world economic integration between the ideology of protectionism and the theory of free trade, which allows financial support

national exporters to increase their competitiveness in the foreign market, but within certain limits that do not distort the economic conditions of international trade.

The main issue in the system of regulation of export subsidies is the definition of the concept of subsidy. common point

view of the economic nature of the export subsidy is its identification with financial subsidies from the government.

Such a definition of a subsidy, according to the author, is methodologically incorrect, since the subsidy in its economic

content and intended purpose is aimed at repaying the losses incurred by the enterprise. But, the meaning of the subsidy is not to pay off the losses of the enterprise, but to maintain exports in order to increase the competitiveness of goods of domestic producers in the world market.

In this regard, an export subsidy should be understood as a financial

assistance of the state in supporting the export of domestic producers, expressed in the participation of the state in co-financing part of the costs associated with the production, sale and

promotion of national goods on the world market[3].

In the domestic economic literature, widespread

received a classification of subsidies, providing for their division into: prohibited subsidies; subsidies giving rise to proceedings,

entailing the initiation of disputes in the WTO and the possibility of applying

compensatory measures; subsidies that do not give rise to disputes in the WTO.

However, this classification of subsidies is methodologically incomplete.

It is well known that financial support by the state of national exports is economically feasible and beneficial.

capital investment. Due to export subsidies, employment is maintained in export and related industries, as a result of export growth, the asset of the country's balance of payments increases.

At the same time, it should

note three significant factors that determine the role of export subsidies:

1) the "start-up role" played by export subsidies in reducing the risk of national exporters when entering foreign markets;

2) the competitive role provided by export subsidies as a result of the growth in production volumes at the expense of the external market

sales, which allows to reduce production costs and sell products at a lower competitive price;

3) a multiplicative role in the development of the national economy, especially in the export of high-tech products, in the production

which involves enterprises and organizations from many sectors of the economy[4].

The developed model includes five types of export subsidies, the application of which is linked to specific stages of innovation activity and stages of the life cycle of exporting enterprises:

- 1) subsidies for industrial research and pre-competitive development to create innovative export products;
- 2) subsidies for the development of new high-tech production innovative products for export;
- 3) subsidies provided for the purpose of building the export potential of enterprises;
- 4) export subsidies provided in order to ensure the implementation of export contracts;
- 5) subsidies for adapting the production capacities of enterprises to new environmental protection requirements for the purpose of technical and technological re-equipment of export-oriented industries[5].

1. The stage of research and development is the most important stage of the innovation process in the enterprise where performance of research, development and design work. The end result of this stage is the release of working design documentation, the manufacture and testing of prototypes. As a rule, these works are carried out in scientific production units of large industrial organizations.

Their implementation is associated with a high degree of probability of obtaining negative results. Investing in research and development is associated with a high financial risk, which necessitates the participation of the state as a source of financial support for research and development.

At the research and development stage, in accordance with the WTO Agreement on Subsidies and Countervailing Measures, it is possible to use subsidies for industrial research and pre-competitive development. The provision of these subsidies may be targeted, that is, they may be aimed at solving specific target tasks for the creation of new high-tech products. In this regard, it seems appropriate to use this type of subsidies for targeted project financing of research and experimental development in the field of creating high-tech products.

It should be noted that the object of this type of subsidies is not the technical re-equipment or modernization of production, but research and development aimed at creating and manufacturing high-tech products.

2. The WTO Agreement on Subsidies and Countervailing Measures in Special procedure regulates the cases of granting subsidies for the development of new production, when exporting enterprises accept financial obligations to develop goods or build the capacity to produce them, but the production of these goods has not yet begun.

For such cases, it is established: if the enterprise recipient of the subsidy is in the initial period of formation, then the amount of the subsidy possible within 15% of the total investment. In this case, the initial period of formation should not go beyond the first year

production. The use of subsidies in excess of 15% of the total investment will mean a significant threat of serious infringement of the interests of the importing country, which entails the possibility

application of measures - the introduction of countervailing duties.

This provision of the WTO Agreement on Subsidies and Compensatory

measures, in essence, opens up a new direction in the use of export subsidies, when the production of high-tech products produced under the order of a foreign buyer-importer. In this case on a legitimate basis, the exporting enterprise can be provided subsidies for the development of new high-tech production.

It should be noted that the initial period of the formation of an enterprise includes cases when financial obligations to develop a given product or create capacities for the production of goods using

subsidies have already been accepted, although production has not yet begun.

Thus, at the stage of formation of the enterprise in accordance with

WTO rules may apply subsidies for the development of new high-tech production. At the same time, the provision of such subsidies can be targeted, that is, aimed at stimulating the export of specific types of high-tech products.[6].

3. Of great importance for the formation and development of foreign economic activity of enterprises, especially small and medium-sized ones, the creation and strengthening of their export potential is the provision of financial support to them at the stage of preparing the enterprise for export activities. This support is possible through providing subsidies that fall under the category of export subsidies that are not linked to export performance.

There are two types of export subsidies provided by

at this stage: export subsidies to exporting enterprises; export subsidies provided to organizations that form the infrastructure to support export-oriented enterprises.

4. At the stage of export activity, subsidies may be provided to enterprises for the purpose of ensuring the fulfillment of export contracts. In accordance with the OECD norms, at this stage it is possible to provide permitted export subsidies linked to the results of exports in the following forms: export credit; compensation parts of interest rates on bank loans; export credit insurance; export guarantees.

5. The WTO Agreement on Subsidies and Compensatory Measures specifically regulates the use of subsidies at the stage of adapting the production capacities of enterprises to new environmental requirements imposed by legislative and regulations. In order to comply with new environmental requirements, businesses may be granted

subsidies for technical and technological re-equipment of production.

It should be noted that this type of subsidy is not applied in the Republic of Uzbekistan. At the same time, subsidies for adapting the production capacities of enterprises to new environmental requirements could become an effective tool of state policy aimed at creating modern export-oriented high-tech industries.[7].

Thus, the accession of the Republic of Uzbekistan to the WTO provides an opportunity to use a wide range of instruments of state financial support for the export of high-tech products. The developed model allows for a comprehensive, based on a systematic and targeted approach, to build a system of state financial support for the export of high-tech products of the Republic of Uzbekistan, adequate to international rules and norms, and, ultimately, take advantage of

integration into the world economy based on the participation of the Republic of Uzbekistan in the WTO.

CONCLUSION

To apply these forms of export subsidies, it is necessary to comply with their compliance with the provisions on interest rates.

OECD agreements on officially supported export credits.

At the same time, the financial mechanisms for export support currently used in the Republic of Uzbekistan need to be substantially adjusted and brought into line with WTO and OECD standards.

State financial support for exports must meet the following conditions:

First, all mechanisms of state support for exports should be paid, close to market conditions, not distorting the economic conditions of international trade. For these purposes:

a) the amount of payment for the provision of export credit should be regulated in accordance with the norms of the OECD Agreement on official supported export credits, which determine the amount of minimum commercial interest rates (CIRRs);

b) the amount of payment for the provision of state guarantees and state export credit insurance should be regulated in accordance with the norms of the OECD Agreement on Officially Supported export credits, which determine the size of the minimum premium rate for credit risk (MPRs);

c) the amount of the reimbursement of a part of the interest rate should be set in such a way that the interest rate minus the reimbursed part of the rate is not lower than the CIRR value determined in accordance with the norms of the OECD Agreement on Officially Supported export credits.

Second, the maturities of government financial support must comply with the provisions of the OECD Officially Supported Export Credit Agreement:

a) a minimum repayment period of at least two years; b) the maximum repayment period should be: for category I countries no more than five years (with the possibility approvals up to eight and a half years based on the application of the procedure advance notice); for category II countries no more than ten years.

Thirdly, the OECD Agreement on officially supported export credits requires the buyer of export products to transfer an advance payment to the exporter in the amount of at least 5% of the value of the supply contract. In this case, the advance payment must be paid by the buyer in cash at his own expense, and in case of their absence, borrowed sources can be involved, but on market conditions.

Fourth, the conditions for repayment of export credits must comply with the norms of the OECD Agreement on officially supported export credits. Loan repayment should be even with a frequency of no more than 6 months. In the context of limited budgetary funds allocated for the purposes of

export subsidies, the issue of criteria for selecting products for the export of which it is advisable to use financial support mechanisms is relevant. Thus, according to the current procedure for reimbursement of part of the costs of paying interest on export credits, such a criterion is the classification of products as products with a high degree of processing, which means industrial products, the production of which includes at least 4 technological stages.

In practice, the use of "the number of technological stages of production" as a criterion creates only the appearance of stimulating the export of high-tech products. In general, the criteria for selecting products for the export of which it is advisable to apply financial support mechanisms should be: classifying products as innovative; production of such products in high-tech industries of the manufacturing sector of the economy.

BIBLIOGRAPHY

1. Decree of the President of the Republic of Uzbekistan dated January 8, 2019 No. UP-5614, dated January 10, 2019 "The concept of integrated socio-economic development of the Republic of Uzbekistan until 2030.
2. Kuprikov A.I. Efficiency of measures to support exports in Russia // World economy in crisis and post-crisis development: Collection of articles / Ed. A.A. Abalkina and N.V. Lukyanovich. - M.: MAKS Press, 2010. S. 89-107.
3. Ivanova I.D. Stimulating the export of small and medium-sized enterprises in Russia// Currency regulation, currency control. - 2011.-№11.S.27-33.
4. Djamalov Kh.N. Role and functions of the estimation of the business in the system of financial management// Public finance// Paris, 2010 year may, pp. 22-28.
- 5 Djamalov Kh.N. Contract mechanism of the economic interaction of the state and business // Corporate finance// Turin, 2010 year june, 14-17 p.
6. Druganov PC Formation of the state system of subsidizing the export of high-tech products in Russia in conditions of the WTO: Monograph. - M.: RGTEU Publishing House, 2012.-243p.
7. Lebedev T.K. Formation of the national system of state financial support for the export of high-tech products in the Russian Federation in the conditions of the WTO // Vestnik RGTEU, 2013, No. 1, pp. 34-43