

## RELATIONS BETWEEN UZBEKISTAN AND THE WORLD TRADE ORGANIZATION: EVOLUTION OF NEGOTIATIONS, ECONOMIC CONSEQUENCES, AND PROSPECTS

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### ABSTRACT

In this article, the relationship between Uzbekistan and the World Trade Organization (WTO) is examined, with an emphasis on the negotiation process, its effects on the economy, and its prospects for the future. Uzbekistan has made tremendous progress on its path to joining the WTO, demonstrating the nation's dedication to integrating into the world trade system. The paper analysis the major milestones in Uzbekistan's evolution of negotiations, assesses the economic consequences and describes the probable advantages, difficulties and future prospects of joining organization.

**Keywords:** World trade organization, trade, international trade, foreign investment, negotiations, tariff barriers, economic growth, global market,

### INTRODUCTION

World trade organization(WTO) is essential platform for countries looking to increase their participation in international trade. With several steps already made, Uzbekistan is doing all efforts to join the World Trade Organization (WTO). National ministries are particularly active in this process, they have been analyzing risks and evaluating country's readiness for economic sectors, adaptation of local legislation to the organization. The President of Uzbekistan is currently involved in the preparation of a resolution on tariff modifications by the Economy, Finance and Trade ministries. Following that, this document fortifies Uzbekistan's stance in the WTO accession talks and secures the protection of sensitive economic sectors like textiles, food, cars, and agriculture.

Furthermore, by increasing product quality, implementing international standards, developing investor collaboration, and increasing export potential through access to new markets, these factors expected to be helpful in economic development.

#### 1. Evaluation of negotiations

When Uzbekistan submitted an application for observer status with the WTO in 1994, negotiations between the two parties got started. However, Uzbekistan didn't submit an application to join the group as a full member until 2015. Since then, the nation has made great strides toward fulfilling the criteria for membership. Uzbekistan finished its sixth round of talks with the WTO in 2019.

Uzbekistan's economic situation would be significantly impacted by joining the WTO. It would expand foreign investment, strengthen access to international funding, and open up new

markets for Uzbek products and services. However, Uzbekistan would have to significantly make changes in its trade laws and practices in order to join the organization.

## **2. Economic benefits of membership in the WTO**

Uzbekistan has been working to liberalize its economy for several years. Due to its geographical location as a double landlocked nation, Uzbekistan collaborates closely with its neighbors in the fields of trade, logistics and transport. Currently it exports items to Europe and East Uzbekistan, it must still work with regional partners. With new norms and trade regulations, the WTO's integration of international cooperation will grant free access to regional markets. Membership will bring huge economic prospects to the country. First one is elimination of protectionism. Advanced import protectionism promotes the growth of illegal imports and fosters economic monopoly. Through country's membership in the WTO one of the negative consequences of import protectionism can be eliminated through liberalization.

There are other economic advantages of getting membership of WTO:

### **Tariff elimination**

In order to give member states some flexibility, they frequently impose lower tariffs than the binding tariffs. Likewise benefiting from these chances and the lower tariffs imposed by WTO members, Uzbekistan anticipates that these levies won't surpass their contractual tariff commitments. The potential for internationalization exists in some Uzbek industrial sectors, including manufacturing, transportation, and agriculture. After Uzbekistan joins the WTO, market competition will definitely increase that will result in reduced consumer costs and higher productivity. Due to higher prices for exported goods, population mostly tend to its local production, that lead to expansion of low quality goods and services.

### **Ensuring foreign investment**

Become a member of WTO is a signal for investors. This demonstrates that a nation is enacting reforms and is open to foreign investment economically. The possibility of increased foreign direct investment (FDI) in Uzbekistan as a result of WTO membership. For instance, Uzbekistan's dedication to liberalizing industries like finance and construction make significant impact to attract more international direct investment. According to the WTO Secretariat's examination of member nations' trade performance, newer members are expanding more quickly than founding members, are more robust to the economic crisis, and are more successful at luring foreign direct investment.

### **Expanding trade relations**

Due to Uzbekistan is landlocked country and several reasons country cannot expand its trade partners. To get membership to the organization opens a way to begin trade relations with European countries. Gold (\$2.4 billion), oil and gas (\$2.4 billion), pure cotton yarn (\$726 million), refined copper (\$510 million), and ethylene polymers (\$432 million) are Uzbekistan's top exports as of 2018. The WTO's member nations, who are subject to its rules, are the main importers of commodities from Uzbekistan. Switzerland, China, Russia, Kazakhstan, Turkey, and Kyrgyzstan are a few examples. As of 2018, its top imports were autos (\$339 million),

refined oil (\$505 million), automobile parts (\$892 million), packaging for medications (\$660 million), and textile fiber machines (\$389 million). The major country supplying goods to Uzbekistan is also a WTO member. China, Russia, South Korea, Kazakhstan, Turkey, and Germany are a few examples (OEC, 2018). By joining the international WTO system, Uzbekistan will benefit from higher trade security and lower tariffs.

### **Market expansion and export diversification**

The WTO Agreement provides restriction of discrimination. Uzbekistan will have the chance to diversify its exports as a result of trade liberalization under the multilateral WTO system with lower tariffs. When exporting to the majority of nations throughout the world, Uzbekistan will benefit from decreased tariffs. The report indicates that currently, Uzbekistan collaborates with 47 countries. Uzbekistan will obtain preferential treatment from 164 nations through free trade agreements after entering the WTO, and the advantages of GSP will not be impacted by joining the WTO. This opens new ways for Uzbekistan to increase the amount of export. By submitting organization rules businesses can access to global markets. This leads to increase export base of agricultural products, textiles and other goods.

### **3. Economic difficulties to access WTO**

There are several challenges Uzbekistan may face to access WTO

1. **State-controlled economy:** Uzbekistan has a predominantly state-controlled economy, with a significant presence of state-owned enterprises. This centralized economic model hampers competition and market liberalization, which are key principles of the WTO.
2. **Lack of transparency:** Transparency in trade policies and regulations are crucial for WTO accession. Uzbekistan has been criticized for its lack of transparency in trade-related matters, including customs procedures, import and export regulations, and investment policies.
3. **Tariff barriers:** Uzbekistan maintains relatively high tariff rates on many goods, which can be a barrier to trade. The WTO requires member countries to reduce and eliminate tariffs to promote free trade, but Uzbekistan's high tariffs hinder its accession process.
4. **Unstable institutional structure:** Uzbekistan's legal and regulatory framework for trade is not fully aligned with WTO standards. The country needs to strengthen its institutions and enact necessary reforms to align its trade policies with international norms.

Addressing these economic difficulties will require Uzbekistan to undertake significant reforms in various areas, including trade policy, market liberalization, legal and regulatory frameworks, and institutional capacity building. These reforms will not only facilitate the country's accession to the WTO but also contribute to its overall economic development and integration into the global economy.

## **CONCLUSION**

Uzbekistan has been attempting to join the WTO for more than 20 years, and significant progress has been made in recent years. A primary economic impact of joining the organization would be the opening of new markets, an increase in foreign investment, and easier access to international funding. However, the nation must address issues with its state-controlled economy and human rights record before it can join the WTO as a full member. Despite these

obstacles, there is hope for Uzbekistan's future relationship with the WTO, and joining the group would be huge step toward bringing the country into the global economy and enhancing its chances for the future.

Protecting domestic producers is the subject that mostly make concerned of opponents of Uzbekistan's WTO membership. They claim that by liberalizing the import system, eliminating taxes on domestic producers, and providing other incentives, the economy will be rebuilt, the Uzbek market would be flooded with inexpensive, low-quality imports, and the nation will become a supplier of raw materials. Successful developing nations that can obstruct transformation initiatives. making structural changes to the short- and medium-term economies comes at an enormous cost.

The memorandum has not been submitted yet, it calls for coordinating the efforts of pertinent institutions and ministries to take more specialized approach.

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