

## FOREIGN TRADE POLICY OF UZBEKISTAN AND ITS PLACE IN THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE COUNTRY

Usmanov Ilhom Achilovich

Professor Samarkand State Architectural and Construction Institute

Usmanov Farzod Shokhrukhovich

Student, Samarkand Institute of economic and services

Uzbekistan. e-mail: ilkhom\_sies@mail.ru

### ABSTRACT

The paper considers the problems of foreign trade policy in deepening the economic reforms of the economy of Uzbekistan, and also offers recommendations.

**Keywords:** world economy, import substitution policy, export orientation, export promotion policy, government regulation.

### INTRODUCTION

The further development of Uzbekistan's integration into the world economy is closely related to the deepening of economic reforms and structural transformations in the country's economy. The development of the country's foreign economic activity can and should become important an element of restructuring and technological modernization of the national economy and its competitiveness. In the economic literature, one can trace the discussion on the foreign trade strategy of Uzbekistan. One group of experts is in favor of pursuing an import substitution policy, another group is for export orientation, and the third is for their combination. One of the reasons for this state of opinion is that some of the participants in the discussions, especially the supporters of import substitution, do not understand the essence of import substitution and export orientation strategies. If in the country's economy during the year the production of a certain amount of previously imported goods is mastered, even if a large number of them, this does not mean the implementation of an import substitution policy. Likewise, if a country starts exporting a large number of new goods, this does not mean that an export-oriented policy is being pursued. As the experience of foreign countries shows, when pursuing a policy of stimulating exports, the production of a much larger number of new goods is mastered than when pursuing a policy of import substitution. Naturally, a significant part of these new products are first sold on the domestic market, only then they are exported. For this reason, foreign trade strategy is not a technical concept, differing in the fact whether a product is produced for the domestic market or for export. It is a set of measures of the entire economic policy, which together creates incentives either to expand exports and integrate the economy into the world economy, or to reduce imports and isolate the economy from the outside world. As the experience of foreign countries shows, when pursuing a policy of stimulating exports, the production of a much larger number of new goods is mastered than when pursuing a policy of import substitution. Naturally, a significant part of these new products are first sold on the domestic market, only then they are exported. For this reason, foreign trade strategy is not a

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In theory, it is possible to distinguish between import substitution policy, neutral policy in relation to foreign trade and export promotion policy. The main characteristic of the import substitution policy is the creation of artificial incentives for the development of certain branches of the domestic industry in order to increase their competitiveness in the domestic market. In the case of import substitution, incentives are distorted in favor of imported goods, that is, the

totality of all economic policy instruments creates a situation where economic entities receive more profit from the sale of their goods in the domestic market than from their exports.

Neutral foreign trade policy means that the incentives for a country are neutral between saving a unit of foreign exchange through import substitution and earning a unit of foreign currency through exports. Under a neutral foreign trade policy, economic entities earn approximately the same profit regardless of whether they sell their goods on the domestic market or export them. Such a policy is possible either when a free foreign trade regime is established, or if incentives mutually compensate each other.

Export promotion policy presupposes the industrialization of the economy by increasing the country's export potential. In practice, this policy is not limited to a strong shift in incentives towards exports and massive subsidies. Massive export subsidies cannot lead to an increase in the country's exports, since a decrease in prices for export goods and an increase in demand for them in the world market as a result of subsidies will lead to an increase in the exchange rate of the national currency. The latter, in turn, will restrain exports, since domestic goods will be more expensive for foreign buyers (or exporters' income from exports in national currency decreases), and will stimulate imports, since imported goods will be cheaper for domestic consumers. As a result, the effect of export subsidies is canceled out.

Therefore, many economists understand an export-oriented policy as a policy close to free trade, when incentives are not distorted, and incentives for producers to export and sell products on the domestic market are neutral. In practice, countries that have chosen a strategy to stimulate exports do not pursue an absolutely free foreign trade policy, but countries that have chosen the strategy of import substitution do not restrict the import of all goods. An absolutely open economy and an absolutely free foreign trade regime do not exist anywhere in the world. Even developed countries are actively pursuing industrial policies aimed at accelerating structural changes in the economy.

At the same time, it is important to choose the most effective instruments for protecting domestic producers, and high import duties, excise taxes on imports, currency control, administrative distribution of financial and material resources cannot always claim to be such an instrument. On the other hand, with an export-oriented policy, it is impossible to extend a high level of import protectionism in the economy to a large number of industries: the protection of industries should be strictly selective and based on defects in market regulation.

In other words, it is only necessary to support those industries and activities that potentially suffer losses from market imperfections. Protecting a large number of industries from import competition means already pursuing an import substitution policy, rather than an export orientation.

As the experience of foreign countries has shown, the export-oriented policy has undeniable advantages over the import substitution policy. According to the World Bank, in 1965-1990, the GDP of countries that pursued export promotion policies showed an annual growth of 7.6%, while in all developing countries this indicator made up 3%.

A number of legislative acts on the further development of foreign trade policy have been adopted in Uzbekistan. Thus, the Law of the Republic of Uzbekistan "On Foreign Economic Activity" (2020) was adopted, which sets the main tasks to ensure economic security, protect

the economic sovereignty and economic interests of the Republic of Uzbekistan in the implementation of foreign economic activity, stimulate the development of the national economy, create conditions for the integration of the country's economy into the world economic system.

In connection with the difficulties caused by the coronavirus pandemic, the President of the Republic of Uzbekistan adopted a resolution "On measures to realize the export potential of the Republic of Uzbekistan for 2021" available resource and production potential mitigated the impact of the restrictions imposed in connection with the coronavirus pandemic. [1]

In order to restore and further expand the export potential of the republic in 2021, it was decided that in 2021, USD 100 million will be allocated from the Export Support Fund for exporting organizations for the purchase of raw materials and the production of export-oriented products. From February 1, 2021, the Ministry of Investment and Foreign Trade will ensure the allocation of pre-export financing for exporting organizations at the expense of the Export Support Fund.

It was found that from April 1, 2021, 50 percent of the expenses of domestic exporting organizations abroad related to the opening and maintenance of trading houses, renting office, retail and warehouse premises, as well as organizing advertising campaigns are compensated by funds from the Export Promotion Agency under the Ministry of Investment. and foreign trade. [2]

Export deliveries of products from Uzbekistan to another country means that it has competitive advantages in the market of this country even after its rise in prices for the import duty rate. In this regard, it is advisable to assess the importance of foreign economic relations of Uzbekistan with a specific country in terms of export to

its market is of Uzbek goods, and not of the general turnover, in which imports may take the main share. At the same time, it will be correct to assess the supply of non-raw materials, since there will always be buyers for raw materials (natural gas, gold, raw cotton, etc.), it is only important to follow the world prices for these raw products.

The experience of foreign countries shows that the countries that have developed the export of finished goods with high added value, including high-tech ones, have achieved the greatest success in economic growth. In particular, in the top twenty countries in terms of export volumes, there are practically no countries, with some exceptions (Russia, Mexico, the United Arab Emirates), in which raw materials export is an important component. This proves the correctness of the theories indicated at the beginning of the article - diminishing returns when using raw materials exports and growing competitive advantages with the development of high-tech production of finished products and the introduction of innovations.

In this regard, given the production and scientific potential available in Uzbekistan, as well as the general level of education of the population, the availability of sufficient labor resources, including qualified ones, to ensure the prospective growth of the country's economy, the priority is the development of industries with high added value and especially non-resource sectors of the economy.

In this matter, investments, especially foreign ones, in the modernization and creation of modern industries for the production of competitive products with high added value are of great

importance. This task has already been set, in particular, in the State Program for the implementation of the Action Strategy in five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the "Year of Active Investments and Social Development". [3]

Uzbekistan's foreign trade turnover in 2020 amounted to \$ 36.29 billion, which is 13.1% lower compared to 2019. At the end of 2020, the foreign trade turnover of the Republic of Uzbekistan amounted to \$ 36.299 billion and decreased by \$ 5.452 billion compared to the same period last year (a decrease of 13.1%). The volume of exports from Uzbekistan at the end of 2020 decreased by 13.4% (to \$ 15.128 billion), imports - by 12.8% (to \$ 21.171 billion). Accordingly, the negative foreign trade balance amounted to \$ 6 billion - against a negative indicator of \$ 6.8 billion a year earlier. [4]

In this regard, we believe that it is necessary to use the following recommendations to strengthen foreign trade policy:

- more use of indirect methods of state regulation, while the import substitution policy is more widely based on direct (administrative) methods of state regulation (currency control, import quotas, administrative distribution of financial and material resources, etc.). When the products manufactured by firms are focused mainly on foreign markets, the state, willy-nilly, is forced to liberalize the economy, and therefore abandon administrative regulation.

The president Shavkat Mirziyoyev at a meeting with entrepreneurs spoke out on further measures to support exporting enterprises, as well as the widespread involvement of small businesses in export activities. [5]

- when pursuing a policy of export orientation, more and more domestic firms will sell their products on the world market, where they will face fierce competition both in price and in product quality. This will force them to constantly improve production, reduce costs and improve product quality.

- to use such an economic mechanism, in which significant funds and time of entrepreneurs will be spent not only on improving

production and satisfaction of consumers' requests, and to obtain licenses, various customs and tax incentives, obtain quotas for imports or purchase foreign currency for imports, purchase resources at low prices, to perpetuate the monopoly position of firms with privileges, etc.

- the volume and growth rate of a country's exports is one of the most important indicators of a country's creditworthiness. The country's capabilities both in external borrowing and in attracting foreign direct investment largely depend on these indicators. Studies have confirmed that the main difference between countries that experienced an external debt crisis and countries that escaped it is not the ratio of external debt to GDP (on this basis, these two groups of countries did not differ much), but the ratio of external debt to GDP. export.

According to the forecast, the volume of foreign investment in Uzbekistan will amount to \$ 10.5 billion in 2021, of which \$ 7.6 billion will be foreign direct investment, and 226 large and industrial projects of high economic importance will be put into operation, which will create 34 thousand jobs [2].

Consequently, foreign trade policy, in particular, an export-oriented policy, which results in high rates of exports and imports, provides more opportunities to accelerate the socio-economic development of the economy of Uzbekistan.

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