

# WTO AND UZBEKISTAN: BALANCE OF OPPORTUNITIES AND CHALLENGES FOR THE NATIONAL ECONOMY

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## Abstract

The article explores the process and prospects for Uzbekistan's accession to the World Trade Organization (WTO). The goals and principles of the WTO have been analyzed, as well as the experience of Kyrgyzstan as one of the first post-Soviet countries to join the organization. Particular attention is paid to the strategic opportunities and challenges that Uzbekistan faces in the process of integration into the global trading system.

**Keywords:** World Trade Organization (WTO), economic integration, trade liberalization, regulatory reforms, customs tariffs, international competition, economic development, globalization.

## Introduction

The idea of creating an international organization designed to regulate international trade arose even before the end of World War II. The Bretton Woods Conference established the International Monetary Fund and the World Bank. They also wanted to create a third organization that could facilitate international trade and international economic relations in general. By and large, the USA and Great Britain were interested in the creation of these international organizations. The third pillar of the new economic order, along with the mentioned organizations, was supposed to be the creation of the International Trade Organization (ITO). To this end, an international conference on trade and employment was convened in Havana in 1946, which was supposed to develop the substantive and legal framework of an international agreement on reducing tariffs, offer interested countries the charter of this organization, and take on a coordinating role in matters of simplifying foreign trade and reducing customs burden on the way of goods from country to country. Already in October 1947, the General Agreement on Tariffs and Trade (GATT) was signed, which was initially considered only as part of a comprehensive agreement within the framework of a new international trade organization. This agreement, considered temporary, came into force on January 1, 1948.

The goals and principles of the WTO are that countries that have joined it must provide favorable conditions in their national market to WTO partners; all concessions in easing bilateral restrictions must be mutual. WTO members must ensure transparency, in that they



must make their trade rules available to other WTO members and have bodies that deal with this. Of course, in some cases, countries may introduce trade restrictions if this is associated with environmental pollution or harm to the animal world.

In addition, a state that is a member of the WTO does not have the right to change its policy even for the purpose of supporting national entrepreneurs and solving the food problem. It is possible to change the conditions only three years after the entry into force of the agreements [1]. WTO membership imposes a number of restrictions on the trade policies of member countries, aimed at ensuring equal conditions for all participants in international trade. These rules prohibit discriminatory measures and protectionist policies.

Member countries are not allowed to introduce quantitative or qualitative barriers to foreign companies, restrict the export of their own resources, or block imports for environmental reasons. It is prohibited to regulate the volume of investment and repatriation of profits of foreign entrepreneurs, as well as to oblige them to use local products or hire local people. WTO rules require equal treatment of all member countries, prohibiting the granting of special concessions to individual members. It is also prohibited to discriminate against private organizations compared to state-owned ones and to provide advantages to domestic investors over foreign ones. These principles significantly limit the ability of states to directly support national industry, as they require the creation of equal conditions for domestic and foreign investors. Thus, WTO membership implies the creation of an open and non-discriminatory trading environment, limiting traditional instruments of protectionism.

Many argue about what will happen if Uzbekistan joins this organization. People are literally divided into two camps, some say that this is not the best solution, others say the opposite. Using the example of other countries, we can evaluate this and finally come to a decision. Kyrgyzstan is one of the first countries in the post-Soviet space to join the WTO. The moment of its accession to the WTO was extremely tense. The collapse of the Soviet Republic did not have the best effect on the economies of all post-Soviet republics. After the collapse of the USSR, the budget of Kyrgyzstan was reduced several times, and it needed to find ways to solve problems, it was necessary to implement a health program, and then Kyrgyzstan makes such an important decision as joining the WTO.

For Kyrgyzstan, accession to the WTO was a powerful external factor promoting regulatory reforms. The image of the country with a predictable, stable and liberal trade regime, attractive to both importers and investors, was ensured. Kyrgyzstan's exports received most favored nation (MFN) treatment in all 133 WTO member countries (in 1998 and 164 in 2018) [2]. If before joining the WTO Kyrgyzstan had to enter into bilateral agreements with each country in order to receive MFN, then after joining the WTO it was granted automatically. As a result, the share of WTO member countries in trade turnover with WTO member countries increased from 44.8% (1998) to 93.6% (2018) and in 2018 amounted to 6242.20 million US dollars, that is, ten times, while the share of Kyrgyzstan's exports to WTO member countries for the period 1998-2018. increased from 50.5 to 89.2%, and imports - from 41.3 to 95.6% [3].

The experience of the Kyrgyz Republic in the WTO demonstrates the complex effect of integration into the global trading system for small economies. Through strategic negotiations with 14 countries, Kyrgyzstan secured significant concessions, especially from China, receiving tariff preferences and preferential rights. Contrary to expectations, WTO membership



allowed the country to establish a more protectionist customs regime, differentiating tariffs in favor of local producers. Flexible application of tariff rates encouraged imports of critical inputs while maintaining domestic market protection.

In the agricultural sector, Kyrgyzstan provided the right to unlimited investment subsidies, although the actual level of support remained low due to budgetary constraints. Membership contributed to the development of the private sector, the formation of industry associations and information infrastructure. Now in the international arena, Kyrgyzstan actively defends the interests of small, low-income economies.

Analysis of the Kyrgyz case reveals both positive aspects and certain nuances of WTO membership. Taking into account this experience and carefully weighing all the pros and cons, Uzbekistan made a strategic decision to join the WTO, considering this as a key step in integrating into the world economy and stimulating the country's economic development.

Uzbekistan has set priority tasks aimed at realizing the existing potential of the national economy, expanding the practical application of free market principles and accelerating Uzbekistan's accession to the World Trade Organization. The corresponding decree "On the next measures to further accelerate market reforms and bring the national legislation of the Republic of Uzbekistan into compliance with the Agreements of the World Trade Organization" was signed by Shavkat Mirziyoyev [4]. The document provides for the implementation of the following tasks [5]:

- deprivation of special (exclusive) rights provided for by law from Uzmetkombinat, Uzikkilamchiranglimetal, Uztrade, Uzkimoiimpex - from January 1, 2025, from UzGasTrade, Uzenergositish - from January 1, 2026;
- introduction of a procedure for licensing activities for the procurement, purchase, processing and sale of scrap and waste of ferrous and non-ferrous metals, as well as wholesale and retail trade in natural gas and electricity;
- granting the right to directly connect to international Internet networks to telecommunications network operators, bypassing Uzbektelecom, from January 1, 2025;
- abolition of restrictions on the export of copper cathode and copper rod purchased at exchange auctions from January 1, 2026;
- gradual abolition from October 1, 2024 to April 1, 2025 of the practice of providing discounts on freight transportation by rail in the territory of the republic;
- gradual equalization of tariffs for export and import freight transportation by rail until 2030;
- abolition of preferences and benefits for local manufacturers in public procurement, including preferences of up to 15% for goods produced in Uzbekistan, and up to 20% for locally produced electrical and household appliances;
- making payments under contracts concluded by budget customers, including at the expense of extra-budgetary funds, only after their registration in the Treasury departments from January 1, 2025;
- making proposals to regulate operations for the import of ethyl alcohol on the basis of WTO agreements until September 1, 2024;
- bringing national legislation into compliance with the WTO Agreement on Subsidies and Countervailing Measures (ASCM) by October 1, 2024;

- bringing national legislation into compliance with the WTO Agreement on Trade Related Investment Measures (TRIMs) by August 1, 2024;
- unification of excise tax rates on goods imported and produced on the territory of Uzbekistan: for tobacco products - from January 1, 2026, for alcoholic products and sugar - from January 1, 2027;
- bringing existing customs duties, fees and rates into compliance with the General Agreement on Tariffs and Trade (GATT 1994) of the WTO, including the revision of tariffs charged for the export of certain types of goods, until August 1, 2024.

In turn, the Uzbek Accreditation Center also strives to ensure objectivity and impartiality in the process of accreditation of conformity assessment bodies. The organization aims to integrate into the international community by joining key global accreditation associations. The Center is constantly improving the national accreditation system, adhering to international norms and standards [6]. Important aspects of the activity are ensuring transparency of procedures, promoting international recognition of accreditation results and maintaining an up-to-date database of accredited organizations. The Center has the authority to conclude international treaties and develop accreditation rules in accordance with international standards. The organization's responsibilities include training and assessing the qualifications of specialists in the field of conformity assessment. The Center has the right to attract independent experts, including foreign ones, to improve the quality of its work. In addition, the organization has autonomy in matters of forming its structure, staff and determining the wages of employees, including the possibility of establishing additional payments for effective work. It is worth noting that the WTO, which unites 164 countries and covers about 98% of world trade [7], plays a key role in coordinating international trade relations. In addition, the WTO's goals of promoting sustainable development and improving the welfare of the population through free and transparent trade are consistent with Uzbekistan's economic reforms. By joining the WTO, significant changes can be achieved in the structure of the country's exports: from a primary focus to finished products, especially in the textile industry.

Since 2019, Uzbekistan has stepped up efforts to join the organization, holding negotiations with more than 50 WTO member countries. Accession to the WTO is a strategic decision aimed at introducing a trading system based on clear rules and principles of openness.

Integration into the WTO provides Uzbekistan with a number of opportunities:

### **1. Optimization of the regulatory environment:**

- The establishment of marginal tariffs and the abolition of quotas increases the transparency of the economy;
- Simplification of administrative procedures improves the business climate;
- Strengthening the protection of national businesses from unfair competition;

### **2. Institutional development:**

- Stimulating reforms in legal and trade areas;
- Strengthening trade institutions;
- Improving the quality of regulatory policy.



**3. Strengthening international positions:**

- Participation in the formation of global trade norms;
- Expanding opportunities to protect national interests.

However, the integration process is fraught with significant challenges:

**1. Resource intensity of the process:**

- The need for large-scale legislative reforms;
- Need for highly qualified personnel and institutional capacity;
- Significant time and financial costs;

**2. Analytical limitations:**

- The need for comprehensive trade research;
- Difficulty assessing long-term economic impacts;

**3. Adaptation costs:**

- The need to restructure economic mechanisms;
- Increased competition in previously protected sectors;
- Introduction of new regulatory procedures in the service sector;

Successful integration of Uzbekistan into the WTO requires a careful balance between taking advantage of emerging opportunities and minimizing potential risks, which involves developing a comprehensive strategy for adapting the national economy to the new conditions of global trade.

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