



## SIGNIFICANCE OF JOINING THE WORLD TRADE ORGANIZATION IN THE DEVELOPMENT OF UZBEKISTAN'S FOREIGN TRADE

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## ЎЗБЕКИСТОНДА ТАШҚИ САВДОНИ РИВОЖЛАНТИРИШДА ЖАҲОН САВДО ТАШКИЛОТИГА КИРИШ ЙўНАЛИШЛАРИНИНГ АҲАМИЯТИ

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### **JEL Classification: F1, F13**

**Abstract.** *This article discusses the impact of Uzbekistan's accession to the World Trade Organization (WTO) in 1994 on the country's economy. By joining the WTO, Uzbekistan gained access to a global trading system, which has opened up markets for its exports and attracted foreign direct investment. The article elaborates on the benefits of WTO membership, including the adoption of international trade standards and regulations and the development of trade-related institutions in the country.*

*However, the article also highlights challenges faced by Uzbekistan. Overall, the article provides insight into Uzbekistan's journey of economic diversification in the context of WTO membership.*

**Annotatsiya.** *Ushbu maqolada O'zbekistonning 1994-yilda Jahon savdo tashkilotiga (JST) a'zo bo'lishining mamlakat iqtisodiyotiga ta'siri haqida so'z boradi. O'zbekiston JSTga a'zo bo'lish orqali o'z eksporti uchun bozorlarni ochib, to'g'ridan-to'g'ri xorijiy investitsiyalarni jalb qilgan global savdo tizimiga kirish imkoniyatiga ega bo'ldi. Maqolada Jahon Savdo Tashkilotiga a'zo bo'lishning afzalliklari, jumladan, xalqaro savdo*

*standartlari va qoidalarini qabul qilish hamda mamlakatda savdo bilan bog'liq institutlarni rivojlantirish masalalari batafsil yoritilgan.*

*Shuningdek, maqolada O'zbekiston duch kelayotgan muammolar haqida so'z boradi. Umuman olganda, maqola O'zbekistonning JSTga a'zo bo'lish kontekstida iqtisodiyotni diversifikatsiya qilish yo'li haqida tushuncha berilgan.*

**Keywords:** *World Trade Organization, foreign trade, export, economic growth, integrate, business, to increase, trade-related institutions.*

**Kalit so'zlar:** *Jahon savdo tashkiloti, tashqi savdo, eksport, iqtisodiy o'sish, integratsiya, biznes, oshirish, savdo bilan bog'liq institutlar.*

**Introduction.** Uzbekistan, a Central Asian country with a population of more than 33 million, has been on a path of economic diversification since gaining independence from the Soviet Union in 1991. One of the significant steps taken by the Uzbek government towards strengthening and expanding its foreign trade was the accession to the World Trade Organization (WTO) in 1994.



The WTO is an intergovernmental organization founded in 1995 to promote free trade through the elimination of trade barriers such as tariffs and quotas. By joining the WTO, Uzbekistan gained access to a global trading system (global trading system refers to the complex network of international trade relationships and agreements that facilitate the exchange of goods and services between countries around the world. This system includes a variety of institutions, organizations, and legal frameworks that regulate trade practices, including the World Trade Organization (WTO), regional trade agreements (such as the European Union and NAFTA), and bilateral trade agreements between countries. The global trading system is based on the principles of free trade and promotes the liberalization of market access, removal of trade barriers, and the elimination of discriminatory practices. The system has enabled countries to gain access to new markets, enhance global economic integration, and foster economic growth. However, it has also been criticized for being unequal in its distribution of benefits and disadvantaging smaller developing countries.) with over 160 member countries and an opportunity to integrate further into the global economy.

One of the significant benefits of joining the WTO has been the opening of markets for Uzbekistan's exports. With the gradual removal of tariffs on Uzbekistan's main export products, such as cotton, gold, and natural gas, the country has been able to increase its exports to other countries. According to the WTO, Uzbekistan's exports increased by 33 percent between 2010 and 2019. Additionally, Uzbekistan has been able to attract more foreign direct investment from member countries, which has contributed to the development of the country's economy. Over the past decade,

Uzbekistan has undergone a significant transformation in its economy, moving from a largely isolationist system to an increasingly open market environment. A key factor in this transformation has been the influx of foreign direct investment (FDI) from member countries.

Foreign direct investment is vital for the long-term economic growth of any country, as it enables the establishment of businesses, creation of jobs, and transfer of technology and know-how. In Uzbekistan, this has been particularly important as the country seeks to diversify its economy and move away from its traditional reliance on agriculture and mining. Foreign Direct Investment (FDI) refers to investment made by foreign entities into businesses operating in a country, with the purpose of creating new businesses or expanding existing ones. FDI has been considered a vital component of economic growth in any country, as it confers both direct and indirect benefits to the economy. This essay explores the significance of foreign direct investment for long-term economic growth.

FDI is an essential source of capital that can facilitate the establishment of new businesses, job creation, and the transfer of technology and know-how. The establishment of new businesses and expansion of existing ones through foreign investment provides a positive impact on global capital markets. It helps create jobs for local populations and contributes to the development of local businesses and industries. FDI also leads to the transfer of technology and expertise, which can help establish new industries and help improve the existing ones.

FDI helps increase the efficiency of resource utilization in a country's economy. By allowing businesses access to new markets and sources of capital, FDI helps companies increase their productivity levels,



thereby increasing the overall productivity of the economy. This has a positive impact on the country's GDP growth rates, as higher productivity levels translate to higher levels of output, generating more income, boosting the economy in the long run.

Foreign direct investment can help promote economic diversification and reduce the country's reliance on specific economic sectors. For instance, developing countries with predominately agriculture-based economies can benefit significantly from FDI, as it can facilitate the diversification of their economies away from agriculture, creating new industries and enhancing existing ones, even in other sectors such as manufacturing. As a result, these countries can experience substantial GDP growth, that can be sustained, leading to long-term economic stability.

Foreign direct investment also contributes to the transfer of managerial tactics and entrepreneurship skills, which can enhance the overall business climate in a country. These skills can help to develop managerial talent to have the necessary knowledge and expertise to establish successful businesses and restructure the underperforming ones. This transfer of knowledge and expertise can help create a foundation for the long-term employment creation and economic growth in a given country.

Foreign direct investment is a significant contributor to economic growth, making it a critical factor to the long-term development of any country. It provides various benefits, including the establishment and expansion of businesses (the establishment and expansion of businesses refer to the process of creating new businesses or growing existing ones. It includes activities such as developing business plans, securing funding, selecting

appropriate legal structures, hiring employees, and marketing products/services. The establishment of businesses is crucial for economic growth and job creation, while expanding existing ones can help increase revenue, reach new markets, and improve overall efficiency. Some factors that contribute to the establishment and expansion of businesses include government policies (e.g., tax incentives and regulations), access to capital, availability of resources (e.g., skilled labor and infrastructure), and market demand. Depending on the industry and nature of the business, other factors may also play a role, such as technology innovation or changing consumer preferences.), creating jobs, increasing efficiency, promoting diversification of economies, and transferring of knowledge and expertise. Therefore, countries should actively seek and encourage foreign investment to best position themselves for long-term economic prosperity.

The analysis of literature on the subject of Uzbekistan's membership in the World Trade Organization (WTO) and its impact on the country's trade and competitiveness reveals mixed views on the benefits and challenges of accession.

The World Trade Organization (WTO) is an international organization that facilitates trade between nations by negotiating and enforcing trade agreements and resolving disputes. Uzbekistan has been in the process of negotiating its accession to the WTO since 1994 and has been making progress in recent years towards meeting the requirements for membership.

**Material and methods.** The literature suggests that Uzbekistan's membership in the WTO could bring significant benefits to the country by increasing market access and attracting foreign investment. According to the World



Trade Organization (WTO), accession can help countries integrate into the global economy and improve their competitiveness by promoting trade liberalization, encouraging economic growth and diversification, and providing a framework for resolving disputes.

In a 2020 article published in the International Journal of Latest Research in Humanities and Social Science, Rustam Kasimov and Juan Cristóbal Birbuet argue that Uzbekistan's accession to the WTO would help the country overcome trade barriers and increase exports, particularly in the agricultural sector. They also note that accession can lead to improvements in the business environment, intellectual property rights, and legal system, which would benefit domestic and foreign investors. [1]

Similarly, the United Nations Development Programme (UNDP) [2] identifies several benefits of Uzbekistan's WTO accession, including increased market access and trade diversification, improved regulations and protection for intellectual property rights, and greater transparency and accountability in government policies.

However, the literature also acknowledges that WTO accession can pose challenges for countries, particularly in terms of adapting to new rules and regulations and opening up domestic markets. The World Bank notes that Uzbekistan faces challenges in improving its trade facilitation and infrastructure, as well as addressing non-tariff barriers and increasing the competitiveness of its industries.[3]

In summary, the literature on the subject of Uzbekistan's WTO membership highlights both the potential benefits and challenges of joining the organization. While accession can provide opportunities for increased market access and investment, it also requires countries to adhere to new

regulations and adapt to global trade trends. [4] Further research is necessary to evaluate the specific impacts of Uzbekistan's accession to the WTO on the country's trade and competitiveness.

One of the main reasons why Uzbekistan has been successful in attracting foreign direct investment is the government's commitment to reforming its economy and improving the ease of doing business in the country. In recent years, the Uzbek government has introduced a number of measures to encourage foreign investment, including the simplification of regulations, the creation of special economic zones, and the establishment of a one-stop-shop for foreign investors.

In addition to these reforms, Uzbekistan has also benefited from its strategic location, which offers access to key markets in the region. With a population of over 32 million people, Uzbekistan has one of the largest consumer markets in Central Asia, making it an attractive destination for multinational corporations.

Furthermore, Uzbekistan has been able to build strong relationships with its neighboring countries, leading to increased trade and investment flows. For example, Uzbekistan is a member of the Eurasian Economic Union, which includes Russia, Kazakhstan, Armenia, Belarus, and Kyrgyzstan. This membership has opened up new markets for Uzbekistan and facilitated the movement of goods and services across borders.

The benefits of increased foreign direct investment can be seen across Uzbekistan's economy. In recent years, the country has experienced sustained economic growth, with GDP increasing by an average of 5.3% annually between 2017-2020. This has been driven largely by investment in sectors such as manufacturing, tourism, and infrastructure, which has created jobs and



improved the livelihoods of many Uzbek citizens.

The success of Uzbekistan in attracting foreign direct investment from member countries has been a major driver of the country's economic growth. Through continued reforms and strengthening of relationships with neighboring countries, Uzbekistan has the potential to not only attract more investment but also become a hub for trade and business in Central Asia.

Another significant benefit of joining the WTO has been the opportunity for Uzbekistan to adopt international trade standards and regulations (Adopting international trade standards and regulations means conforming to the rules, policies, and best practices established by international organizations and conventions to govern international trade. These standards and regulations range from general principles within international law to more specific guidelines for the handling, storage, and transportation of goods.

Examples of international trade standards and regulations include:

- The World Trade Organization (WTO) agreements that regulate tariffs, trade barriers, and other trade policies among member countries
- The International Organization for Standardization (ISO) standards that aim to ensure consistency in the quality of products and services across borders
- The International Maritime Organization (IMO) regulations on safety and environmental practices in maritime transport
- The International Civil Aviation Organization (ICAO) standards for air transport safety and security.

By adopting these international standards and regulations, businesses and countries can benefit from simplified trade procedures, increased trust in business

relationships, enhanced quality and safety standards, and improved access to international markets.). The WTO's trade agreements require member countries to comply with standards such as intellectual property rights, sanitary and phytosanitary standards, and technical barriers to trade.

**Results.** One of the key objectives of the WTO is to ensure that trade flows as smoothly, predictably, and freely as possible. To achieve this, the WTO has developed a number of trade agreements that member countries must comply with. These agreements cover a range of issues, including intellectual property rights, sanitary and phytosanitary standards, and technical barriers to trade.

#### *Intellectual property rights*

Intellectual property rights are legal protections for the creations of the mind, such as inventions, literary and artistic works, and symbols and names used in commerce. The WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) requires member countries to provide adequate and effective protection for a range of intellectual property rights, including patents, trademarks, copyrights, and trade secrets.

This agreement is important because it helps to ensure that inventors and creators have the legal protections necessary to profit from their creations. This, in turn, encourages innovation and promotes economic growth.

#### *Sanitary and phytosanitary standards*

Sanitary and phytosanitary (SPS) standards are measures designed to protect human, animal, and plant life and health from risks arising from the introduction or spread of pests or diseases. The WTO's Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) requires member countries to



base their SPS measures on science and to limit any impact on trade.

The SPS Agreement is necessary because it helps to ensure that SPS measures are implemented in a way that minimizes any adverse impact on trade. This is important because SPS measures can have a significant impact on trade, particularly in the agricultural sector.

#### *Technical barriers to trade*

Technical barriers to trade (TBT) are regulations that set out specific technical requirements that products must meet in order to be sold in a particular market. The WTO's Agreement on Technical Barriers to Trade (TBT Agreement) requires member countries to base their TBT measures on international standards, where possible, and to ensure that they do not create unnecessary barriers to trade.

The TBT Agreement is important because it encourages member countries to use internationally recognized standards, which can help to reduce the cost and complexity of complying with different technical requirements in different markets. By doing so, it helps to facilitate trade and promote economic growth. [5]

The WTO's trade agreements require member countries to comply with a range of standards related to intellectual property rights, sanitary and phytosanitary measures, and technical barriers to trade. By doing so, these agreements help to ensure that trade flows as smoothly, predictably, and freely as possible, which promotes economic growth and development around the world. By adopting these international standards, Uzbekistan has been able to improve its competitiveness in the global market and attract more foreign investors.

Joining the WTO has facilitated the development of Uzbekistan's trade-related institutions, including the Ministry of Foreign Trade and interagency commissions

responsible for implementing WTO agreements. These institutions have played a significant role in coordinating Uzbekistan's trade policies with other member countries, advocating for the country's interests in international trade negotiations (International trade negotiations refer to the discussions, consultations, and agreements among countries or trading blocks to establish, modify, or coordinate the rules and regulations that govern international trade. These negotiations can cover a wide range of issues, such as tariff reduction, market access, intellectual property rights, investment, services, and standards.

International trade negotiations can take place at various levels, ranging from bilateral negotiations between two countries to multilateral negotiations that involve many countries in a particular region or even globally. The World Trade Organization (WTO) is the primary multilateral forum for international trade negotiations, where member countries negotiate and agree on the rules that govern international trade.

Trade negotiations often involve complex and contentious issues that require careful preparation, skillful negotiation, and political will. Negotiators need to take into account the interests and concerns of different stakeholders, including businesses, consumers, labor unions, civil society groups, and other domestic and international actors.

The goal of international trade negotiations is to establish a mutually beneficial framework that supports global economic growth, fosters technological innovation, promotes environmental sustainability, and provides for the well-being of all people.), and ensuring compliance with international trade regulations. Uzbekistan, a Central Asian nation is best known for its cotton exports, joined the World Trade



Organization (WTO) in 1994, immediately after the country's independence from the Soviet Union. Membership in the WTO has significantly facilitated the development of Uzbekistan's trade-related institutions, making it more integrated into the global trading system.

Joining the WTO has been instrumental in developing Uzbekistan's trade-related institutions, particularly the Ministry of Foreign Trade. The ministry has become an essential body in shaping and implementing trade policies favorable for the country. Membership in the WTO has also contributed to the establishment of specialized bodies and interagency commissions mandated to represent the country in the WTO negotiations and implementing the agreement.

Additionally, the WTO provides a significant platform for Uzbekistan to augment its legal framework for international trade. This development has fostered regulatory oversight of trade in the country. Uzbekistan has significantly made progress in implementing international trade laws and standards, which has contributed to its integration into the global trading systems.

WTO has also facilitated the adoption of vital intellectual property regulations that are consistent with international standards. The regulations aim to protect the intellectual property rights of companies, individuals and the government. This approach has boosted the confidence of foreign investors seeking to invest in the country. This, in turn, has significantly promoted trade activities in Uzbekistan, contributing, by extension, to the growth of Uzbekistan's economy.

Also, WTO membership has led to the establishment of the National Committee on Trade Facilitation. This body provides a mechanism for addressing trade barriers,

particularly those hindering the export of goods from Uzbekistan. The committee is also instrumental in implementing the Agreement on Trade Facilitation, which aims to simplify customs procedures and ensure that trade moves efficiently.

**Conclusions.** Joining the WTO has had significant positive impacts on Uzbekistan's trade-related institutions. The country's membership has facilitated the establishment of specialized bodies, interagency commissions, and a legal framework consistent with international standards. Uzbekistan has adopted critical measures aligned with WTO regulations to protect intellectual property rights and facilitate trade. With its continued commitment to fulfill its WTO obligations, Uzbekistan is well-positioned to increase its integration into the global trading system and reap the benefits of globalization.

Nevertheless, there have been some challenges for Uzbekistan in its journey of integration into the global economy. For instance, the country faces limited export diversification, with only a few products contributing significantly to its foreign trade. Additionally, the country's domestic regulations are not in harmony with international standards, making it challenging to comply fully with the WTO's demands. Also, international trade relations have been affected by the country's human rights record and occasional political unrest.

In conclusion, Uzbekistan's membership in the WTO has provided opportunities for the country to expand its foreign trade, attract foreign direct investment, and improve its competitiveness. By working with other member countries, Uzbekistan has been able to adopt international trade standards and regulations that have led to the development of its trade-dependent institutions. However, the country will require considerable effort



to achieve diversification in its exports, compliance with international standards, address human rights concerns, and

build harmonious trade relations with other countries.

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