Czech University of Life Sciences Prague

Faculty of Economics and Management

Economics and Management

Diploma Thesis

The development of international trade of Uzbekistan with the EU member states

Jaloliddin Khudayberganov

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Jaloliddin Khudayberganov

Economics and Management
Economics and Management

Thesis title

The development of international trade of Uzbekistan with the EU member states.

Objectives of thesis

The aim of this diploma thesis is to highlight the international trade cooperation between the EU and Uzbekistan in last decades. The main objectives of the following research are:

- study of the theoretical foundations revealing the concept and types of world trade.

- understand effects of world organizations to the progress of the foreign trade.

- determination of the role of Uzbekistan in the world trade and its foreign economic relations.

- to investigate the potential trade performance of Uzbekistan with the rest countries, particularly the EU and organizations.

- to understand the Cooperative and Cooperation Agreement of the EU and Uzbekistan.

- to estimate the international cooperation importance of the EU countries for Uzbekistan.

Methodology

On the following diploma thesis, during the collecting of the data from the internet sources, there will be used the method of "Mirror statistics", "Direct observations", "Documents and records" and "Analyzing and the data and its implementation". The "Mirror statistics" is defined as getting data with the help of indirect approach to the main country.

On the practical part there will be used multiple analyzing tools to achieve the final qualifying thesis such as, comparative, grouping, analysis – synthesis, time series and other methods. The initial analyses on the practical part will be achieved according to the data from official sources, such as, WTO, State Statistics Committee of the Republic of Uzbekistan, Ministry of Foreign Economic Relations, Investments and Trade of the Republic of Uzbekistan, Ministry of Foreign Affairs of the Republic of Uzbekistan, the Ministry of Finance

---

of the Republic of Uzbekistan, Euro-stat – database and Market Access – database under the European Commission.

Methods used will include: time series analyses, trade balance analyses, index analyses and comparative advantage analyses.

The proposed extent of the thesis

60 – 80 pages

Keywords

Foreign trade; Trade policy; Uzbekistan; The EU; Generalized System of Preferences; Time series analyses;

Recommended information sources

CERNET L., – Trade for you too: Why is trade more important than you think? Issue 1, May 2019. ISSN: 2034-9815

DIXIT, A K. – NORMAN VICTOR. *Theory of international trade.* Cambridge: University Press, 1998. ISBN 0-521-29969-1.

FROLOVA E., LUKYANOVA S., – Мировая экономика и международные экономические отношения: современное состояние, проблемы и основные тенденции развития (The world economy and international economic relations: current status, problems and main development trends) 2016, Ekaterinburg. ISBN 978□5□321□02500□011.

NORMATOV J. – Uzbekistan's Long Way to the World Trade Organization. L'Europe en Formation, 2018. ISBN 978-2-8550-5206-9

POMFRET R. – The Uzbek Model of Economic Development, 1991-99. The Economics of Transition. 2000. 8. 733-748. 10.1111/1468-0351.00062.

SALOMOV, J. – Mirziyoyevs Uzbekistan: towards openness and real democracy? Berlin, 2019. ISBN 2627-7204

YULDASHEV G., ZOKIROVA N., KHODZHAEVA M. – The Uzbek Model as a Factor in the Development of the National Economy / Tashkent, 2016 .– S. 22-39.

Expected date of thesis defence

2019/20 SS – FEM

The Diploma Thesis Supervisor

Ing. Pavel Kotyza, Ph.D.

Supervising department

Department of Economics

Electronic approval: 13. 3. 2020

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 13. 3. 2020

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 23. 03. 2020

Declaration

I declare that I have worked on my diploma thesis titled "The development of international trade of Uzbekistan with the EU member states" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague, 2020 _____

Acknowledgement

I would like to express my sincere gratitude to my supervisor **Ing. Pavel Kotyza Ph.D**., who helped and supported a lot in most cases and for the motivational approach on achieving the desired outcomes on this Diploma Thesis. Thank you for having open minded and powerful guidance all the time!

In addition, I would like to thank to all university staff for giving us more knowledge during the master's program, and additionally, for **PhDr. Vlastimil Cerny MA, CSc., Ing. Jan Hucko Ph.D., Ing. Oldrich Vylupek Ph.D., MSc.,** and **PhDr. Jarmila Baresova** for huge support from the initial days in the university life.

The development of international trade of Uzbekistan with the EU member states

Abstract

Uzbekistan is one of the world leaders in terms of reserves of silver, tungsten and phosphorites, potassium salt, group metals and other valuable minerals, specifically, in explored reserves of gold within the fourth, uranium - within the seventh, molybdenum - within the eighth, and in confirmed reserves of copper - by 10, gas - 14th place within the world. Cotton and uranium occupy a vital place within the country's exports.

Establishing multilateral diplomatic relations between the European Union and its Member States and the Republic of Uzbekistan has laid the groundwork for the development of economic, political, cultural, scientific and other cooperation between the parties.

Uzbekistan benefits from the Standard Generalized Scheme of Preferences (GSP) of the EU. In comparison to other countries of Cenral Asia, the position of Uzbekistan according to the GSP utililsation was held on the 2nd after Tajikistan (90% GSP utililsation) and, whereas Kyrgyz Republic only fulfilled 58.03% of GSP utililsation.

The EU has one of the high import shares of Uzbekistan with about 15% after China and Russia, which has 20.45% and 19.54% accordingly.

According to the CAGR , the annual growth of import is increased by 6.88% every year from 2009 until 2018.

Revealing the table about the top five HS commodities on import, Uzbekistan imported high amount of “Machinery and appliances” with the value of $1,143.67 million USD, that gives almost 41% of the total import.

Keywords: Foreign trade, Uzbekistan, EU, Balassa Index, CAGR, Harmonized Sections (HS), Trade balance.

Rozvoj mezinárodního obchodu Uzbekistánu s členskými státy EU

Abstrakt

Uzbekistán je jedním ze světových vůdců, pokud jde o zásoby stříbra, wolframu a fosforitanu, draselné soli, skupinových kovů a dalších cenných nerostů, konkrétně ve prozkoumaných zásobách zlata ve čtvrtém, uran - v rámci sedmého, molybdenu - v osmém , a v potvrzených zásobách mědi - o 10, plyn - 14. místo na světě. Bavlna a uran zaujímají v exportu země zásadní místo.

Navázání mnohostranných diplomatických vztahů mezi Evropskou unií a jejími členskými státy a Uzbeckou republikou položilo základy pro rozvoj hospodářské, politické, kulturní, vědecké a jiné spolupráce mezi stranami.

Uzbekistán těží ze standardního systému všeobecných preferencí (GSP) EU. Ve srovnání s ostatními zeměmi Střední Asie byla pozice Uzbekistánu podle využití GSP na 2. místě po Tádžikistánu (90% využití GSP) a Kyrgyzská republika splnila pouze 58,03% využití GSP.

EU má jeden z vysokých dovozních podílů Uzbekistánu s přibližně 15% po Číně a Rusku, což má odpovídajícím způsobem 20,45% a 19,54%.

Podle CAGR se roční růst dovozu od roku 2009 do roku 2018 každoročně zvyšuje o 6,88%.

Uzbekistán odhalil tabulku o pěti největších komoditách HS při dovozu a dovezl velké množství „strojů a zařízení“ v hodnotě 1 143,67 milionu USD, což představuje téměř 41% celkového dovozu.

Klíčová slova: Zahraniční obchod, Uzbekistán, EU, Balassův index, CAGR, Harmonizované Sekce (HS), Obchodní Bilance.

Table of content

List of pictures

List of tables

List of abbreviations

1. WTO
2. EU
3. GDP
4. OPEC
5. CA
6. CIS
7. EPCA
8. PCA
9. HS
10. USD
11. USSR
12. FDI
13. UNCTAD
14. GSP
15. EAEU
16. CAGR
17. RCA
18. CAGR

1 Introduction

The traditional and most developed form of international economic relations is foreign trade. By some estimates, trade accounts for about 80 percent of the total volume of international economic relations. Modern international economic relations, characterized by the active development of world trade, bring a lot of new and specific to the development of national economies.

For any country, the role of foreign trade is difficult to overestimate. According to the definition of J. Sachs, "... *the economic success of any country in the world is based on foreign trade. Not a single country has yet succeeded in creating a healthy economy, isolated from the world economic system*."[1]

International trade is a form of communication between producers of different countries, arising based on the international division of labour, and expresses their mutual economic dependence.

Theories of international trade, leading the beginning of the English classical political economy, went through several stages in their development along with the development of world economic thought.[2]

In modern conditions, the country's active participation in world trade is associated with significant advantages: it allows more efficient use of the resources available in the country, joining the world achievements of science and technology, in a shorter time frame to carry out structural restructuring of its economy, as well as more fully and variably meet the needs population.

In this regard, the study of both theories that reveal the principles of the optimal participation of national economies in international commodity exchange, the competitiveness factors of individual countries in the world market, and the objective patterns of the development of world trade are of considerable interest. These problems are of importance of Uzbekistan and the European Union member states that have embarked on the path of creating a developed market economy oriented toward active participation in world trade.

[1] Avdokushin E.F. Международные экономические отношения (International Economic Relations) (textbook). – Юрист (Lawyer), 2003. ISBN: 5-7975-0148-1, 5-98118-027-0 p. 16
[2] Christian Gehrke, Neri Salvadore, Ian Steedman, Richard Sturn, Classical Political Economy and Modern Theory, New York, 2012. ISBN: 978-0-415-67981-7 p.14

2 Objectives and Methodology

2.1 Objectives

The aim of this diploma thesis is to highlight the international trade cooperation between the EU and Uzbekistan in last decades. The main objectives of the following research are:

- To study of the theoretical foundations revealing the concept of trade
- Determination of the role of Uzbekistan in the world trade and its foreign economic relations.
- The overview of the world trade organization to the progress of the foreign trade of Uzbekistan.
- To investigate the potential trade performance of Uzbekistan with the rest countries and organizations.
- To understand the Cooperative and Cooperation Agreement of the EU and Uzbekistan.
- To estimate and analyze the international trade importance of the EU countries for Uzbekistan.

The research questions of the following diploma thesis are:

- To find out the highest share of commodity type on the import and export trading.
- To investigate the top importing and exporting EU member states out of the 10 years period, from 2009 and 2018.
- To determine the opportunities of GSP system of the EU in numbers.
- To examine the volume of foreign trade of the EU and compare it with the rest trading partners of Uzbekistan.
- To identify the revealed comparative advantage in the top 5 export HS products in the period of 10 years.

2.2 Methodology

On the following diploma thesis, during the collection of the statistics and literature information from the internet sources, there were used several and simple technics, such as: "Direct observations", "Documents and records" and "Analyzing and the data and its implementation".

On the practical part there have been used multiple investigating tools to achieve the final qualifying thesis such as, comparative, grouping, time series and other methods. The initial analyses on the practical part is going to be fulfilled according to the data from official sources, such as, WTO, State Statistics Committee of the Republic of Uzbekistan, Ministry of Foreign Economic Relations, Eurostat – database and Market Access – database under the European Commission, the UN Comtrade and so on.

I found this topic interesting as the European Union, further mentioned as the EU has the one of the top potentials on trade as the organization includes itself countries with disciplined and high developed economy of the world such as Germany, Italy, France and so on and the foreign cooperation between Uzbekistan and the EU must be examined to achieve the understanding of bilateral trade and the outcomes of barriers.

Further, most importantly, there is going to be taken the 10 years period, from 2009 to 2018, as the data of such long period opens more vision and helps to understand the trends of the foreign trade relations between Uzbekistan and the EU overall. Besides, to estimate the importance of the EU, there is going to be investigated and compared with the rest trading partners of Uzbekistan. Further, the analysis take part on the commodity structure of export and import activities of Uzbekistan and the EU.

In addition, there are going to be evaluated the selected EU members states with high import and export shares and determined the main commodity types involved.

The products are going to be grouped by the internationally standardized "Harmonized Sections" (HS). Goods are classified both by purpose (clothing, weapons, etc.) and by industry sectors (textiles, animals and livestock products, etc.). The selected categories are assigned codes of 6 digits, with individual countries detailing the nomenclature to codes consisting of 8 or 10 digits. Developed by the World Customs Organization in 1988.[3]

[3] Wikipedia source. https://en.wikipedia.org/wiki/Harmonized_System [Accessed: 10.03.2020]

Each data selected in this thesis is going to be examined with the methods of time series analysis, trade balance analysis, compound annual growth rate (CAGR) and revealed comparative advantage refers to Balassa index.

A time series (or a series of dynamics)[4] is statistical material collected at different times about the value of any parameters (in the simplest case of one) of the process under study. Time series analysis is a set of mathematical and statistical analysis methods designed to identify the structure of time series.

Time series consist of two elements:

- a period for which or as of which numerical values are given.
- numerical values of one or another indicator, called the levels of the series.

A country's foreign trade balance[5] is the ratio of the value of goods exported by a country (export) and the value of goods imported into it (import) for a certain period of time, for example, for a year, quarter, month. The foreign trade balance includes actually paid and executed on credit goods transactions. As a rule, the foreign trade balance is compiled for individual countries or groups of countries, but nothing prevents calculating the trade balance for any territory, from a city to the continent.

The difference between exports and imports is called the trade balance - this is the annual (quarterly or monthly) indicator of information on foreign trade transactions of the country.

- If the trade balance has a surplus, this means that in monetary terms (commodity volume is converted into cash), more goods were sent abroad than received from other countries. A positive trade balance indicates the demand for the goods of a given country on the international market, as well as the fact that the country does not consume everything that it produces.
- If the balance is negative, then the import of goods prevails over the export.

A country's trade balance equals the value of its exports minus its imports. The formula is X - M = TB, (1)

where: X = Exports

M = Imports

TB = Trade Balance

[4] R. Adhikari. An Introductory Study on Time Series Modelling and Forecasting, (*Research book*) p. 12

[5] The Balance. Balance of Trade: Favorable Versus Unfavorable. March 31, 2020 [Accessed 01.04.2020] https://www.thebalance.com/balance-of-trade-definition-favorable-vs-unfavorable-3306261

Compound Annual Growth Rate (CAGR)

The CAGR is the average annual growth rate of investments over a certain period.

Calculation of the Compound Annual Growth Rate. Formula:

$$CAGR = \left(\frac{V_N}{V_0}\right)^{\frac{1}{N}} - 1 \qquad (2)$$

Where, V_0 is the initial cost of investment.

V_N is the final cost of investment.

N is the number of period (years)[6]

Balassa Index. Borrowed from English - American economic literature in the second half of the 60s. Named after the name of its developer - Balassa.

Bella Balassa is an American economist of Hungarian descent. Educated at the University of Budapest, worked at the famous Yale University. In 1965, he proposed a method for assessing comparative advantages, which was called the Balassa Index.

The index shows the ratio of the share of goods (industry) in national exports to the share in world exports. It was called the coefficient of "revealed comparative advantage" (RCA). Identified - because the calculation is based on the identified, that is, existing data on exports.

The index is calculated by the formula:[7]

RCA = (Xij / Xit) / (Xnj / Xnt) = (Xij / Xnj) / (Xit / Xnt), (3)

where **X** is the export, **i** is the country under study, **j** is the product (or industry), **t** is a group of goods (or industries) and **n** is a country.

If the index is more than >1, then the product (industry) has a comparative advantage, if it is less <1, then the product (industry) has an identified disadvantage - advantage, limitation.

[6] A2 Finance, https://a2-finance.com/ [Accessed: 10.03.2020]

[7] T. Marina, Revealed Comparative Advantage Analysis: The Case of Turkey and Russia. *(Conference Paper)*, 2016 p-3

3 Literature review

3.1 International trade in the system of international economic relations

In the literature review part, it is going to be researched the importance of international trade and its role in the current time. Also, the theory, theorems and history development of foreign trade are going to be reviewed in this chapter. Additionally, types of trade policy tools and tariffs will be examined.

3.1.1 The role of international trade in modern time

All countries enter foreign trade relations. Moreover, each party ultimately consumes more than it could produce alone. International trade plays an extremely important role in the development of the global economy. Describing the role of international trade, it should be noted that currently 4/5 of the total volume of international economic relations falls on world trade. Modern international trade is developing at a rapid pace that over the past decade has more than doubled the growth rate of global gross domestic product. The participation of various countries in international trade contributes to the intensification of production and the deepening of its specialization. The degree of equipment loading is increasing, mass production is being organized, new equipment and modern technologies are being introduced, and if there is demand in the market, exports will increase. In turn, the expansion of exports entails an increase in employment.[8]

International trade allows you to mobilize and more efficiently use the potential of the economy of a country, contributes to increased productivity and income. As a result, international commodity flows cover all regions of the world in which international trade is central and serves as a powerful factor in economic growth. Those countries where foreign trade developed rapidly were the most successful in the development of national economies. These include the United States, Germany, Japan, and the newly industrialized countries of Asia. For many developing countries, it was international trade that was an important component of industrialization and accelerating economic recovery.

[8] CERNET L., Trade for you too: Why is trade more important than you think? Issue 1, May 2019. ISSN: 2034-9815

3.1.2 Understanding the international trade concept

The term "international trade" means the trade of a country with other countries, consisting of paid import (import) and paid export (export) of goods.[9]

Diversified foreign trade activity is subdivided according to product specialization into trade in finished products, machinery and equipment, raw materials, services, and technologies.[10] In recent decades, trading in financial instruments (derivatives), derived from financial instruments traded in the cash market, such as bonds or shares, has been booming.

The development of world trade is based on the benefits it brings to the countries participating in it. The theory of international trade gives an idea of what is the basis of this gain from foreign trade, or what determines the direction of foreign trade flows. International trade serves as a tool through which countries, developing their specialization, can increase the productivity of available resources and thus increase the volume of goods and services they produce and increase the level of well-being of the population.

International trade was dealt with by many well-known economists. The main theories of international trade are the Mercantilist theory, The theory of absolute advantages of A. Smith, The theory of comparative advantages of D. Ricardo and D. S. Mill., Heckscher-Olin theory, Leontief paradox, The theory of product life cycle, M. Porter's theory, Rybczynski theorem, as well as Samuelson and Stolper Theory.

Mercantilists, representing the interests of the merchant bourgeoisie during the period of the decay of feudalism and the formation of capitalism (XV-XVIII centuries), praised the role of foreign trade in achieving the wealth of the nation. However, money was considered the only wealth, and the exchange of goods for money seemed the only way to increase wealth. At the same time, imports of goods, i.e. the return of money, according to the views of the mercantilists, was tantamount to a decrease in wealth. As a result, the recommendations of mercantilists boiled down to stimulating exports and limiting imports through government intervention.[11]

Introduced restrictions on imports complicated international trade, contrary to the logic of development of capitalist production. The openly protectionist doctrine of

[9] Avdokushin E.F. Международные экономические отношения (International Economic Relations) (textbook). – Юрист (Lawyer), 2003. ISBN: 5-7975-0148-1, 5-98118-027-0
[10] Avdokushin E.F. Международные экономические отношения (International Economic Relations) (textbook). – Юрист (Lawyer), 2003. ISBN: 5-7975-0148-1, 5-98118-027-0
[11] Nosova S.S. "Экономическая теория. Учебник для вузов" (Economic theory. Textbook for universities), Publisher: Vlados, 2005. ISBN: 978-5-691-00225-0 p. 351

mercantilism was opposed by the idea of free trade (free trade), whose proponents redefined the role of foreign trade in international economic relations, its causes and the foreign trade policy of states. The choice of a policy of free trade or protectionism in foreign trade in their uncompromising version was characteristic of past centuries.

They considered foreign trade to be the true source of wealth and profit, since it was the main source of accumulation of gold and silver. And since crafts are the basis of exports, mercantilists have concluded that the prosperity of crafts is a condition of trade, the country's wealth, and not its cause. In this regard, they believed that labor employed in export industries is productive.[12]

Nowadays, these two approaches are interconnected and intertwined. But increasingly, in this contradictory unity, the leading role of the principle of free trade is manifested.[13]

For the first time, the policy of free trade was defined by A. Smith when he substantiated the theory of international trade, proving the need for liberalization of the import of foreign goods by easing customs restrictions. A. Smith proved the necessity and importance of foreign trade, emphasizing that “the exchange is favorable for each country; every country finds an absolute advantage in it.” A. Smith's analysis was the starting point of the classical theory, which serves as the basis for all types of free trade policy.

D. Ricardo supplemented and evolved the ideas of A. Smith. He showed why nations trade, to what volume the change between the 2 countries is most beneficial, highlighting the criteria for international specialization. It is within the hobbies of every country, D. Ricardo believes, to concentrate on production in which it has the greatest benefit or least weakness, and for which the relative gain is the greatest.

Ricardo's reasoning found expression in the principle or theory of comparative advantage (comparative production costs). D. Ricardo proved that international exchange is possible and desirable in the interests of all countries. He determined the price zone within which the exchange is beneficial for everyone.

J. S. Mill in his Principles of Political Economy (1848) showed at what price international commodity exchange is carried out. According to Mill, the exchange price is

[12] Nosova S.S. "Экономическая теория. Учебник для вузов" (Economic theory. Textbook for universities), Publisher: Vlados, 2005. ISBN: 978-5-691-00225-0 p. 352

[13] Avdokushin E.F. Международные экономические отношения (International Economic Relations) (textbook). – Marketing, 1999. ISBN: 5-7856-0076-5 p-30

set according to the law of supply and demand at such a level that the total export of each country makes it possible to cover its total import. The formulation of the Law of International Value, or "Theory of International Value," is an important merit of J. S. Mill. The theory of international value shows that there is a price that optimizes the exchange of goods between countries. This market price is dependent on supply and demand.

A new word in the development of the theory of classics of bourgeois political economy was said by G. Haberler, who specified it in terms of all factors of production, and not just labor.

The foundations of modern ideas about the reasons for determining the direction and structure of international trade flows, possible advantages in international exchange, were laid by Swedish economists E. Heckscher and B. Olin.

The theory of comparative advantage explains the international trade in cross-country differences in relative production costs. However, it does not answer the main question: why do these cross-country differences arise? According to Swedish economists, cross-country differences in relative costs are mainly due to the fact that,

- firstly, factors are used in different proportions in the production of various goods.
- secondly, national production differences are determined by different endowments with production factors - labor, land, capital, and also different internal needs for certain goods or prices.

According to the Heckscher – Olin theory, countries will seek to export goods that require significant costs of production factors, which they have in relative excess. And, accordingly, goods requiring low costs of factors that are scarce for the country, in exchange for goods produced using factors in the opposite way. As a result, surplus factors will be exported in a hidden form and scarce production factors will be imported.[14]

The Heckscher-Olin theory successfully explains many of the laws of international trade. Countries do export mainly those products whose production costs are dominated by relatively surplus resources. However, not all the phenomena of international trade fit into the scheme proposed by Heckscher and Olin. The structure of production resources held by

[14] Morales M. J., Classical Free Trade: A Policy Towards Economic Growth and Development. (Doctoral thesis), Vienna University of Economics and Business, 2010 p-111

industrialized countries is gradually being leveled. The center of gravity in world trade is gradually shifting to the mutual trade of "similar" goods between "similar" countries.[15]

In 1948, American economists P. Samuelson and V. Stolper improved the proof of the Heckscher – Olin theorem, presenting their theorem: in the case of uniformity of production factors, technology identity, perfect competition and complete mobility of goods, international exchange equalizes the price of production factors between countries.[16]

In trade concepts based on the D. Ricardo model with the additions of Heckscher-Olin and Samuelson, trade is considered a mutually beneficial exchange, but also as a means by which it is possible to narrow the gap in the level of development between countries.[17]

The Leontief Paradox

The theory of foreign trade was further developed in the study of the American economist V. Leontief under the name "Leontief's paradox." The paradox is that, using the Heckscher – Olin theorem, Leontief showed that the American economy in the post-war period specialized in those types of production that required relatively more labor than capital. In other words, American exports were more labor intensive and less capital intensive compared to imports. By all accounts, it has always been characterized by an excess of capital, and, according to the Heckscher-Olin theory, it follows that the United States exports rather than imports high-capital goods.

In recent years, the discovery of Leontief has received wide resonance. Many economists from different countries debated on this topic, explaining the "Leontief paradox." As a result, the theory of comparative advantages was further developed by taking into account additional circumstances affecting international specialization. Among the new circumstances include the following:

- Heterogeneity of production factors, primarily labor, varying in skill level. According to this circumstance, the surplus in the country of a significant amount of highly organized and unskilled labor leads to the export of complex products. While the predominance of unskilled labor in the structure of the employed population inclines the country's economy to produce and export products that do not require a high level of skill.

[15] See the reference n:11
[16] Morales M. J., Classical Free Trade: A Policy Towards Economic Growth and Development. (*Doctoral thesis)*, Vienna University of Economics and Business, 2010 p-114
[17] Morales M. J., Classical Free Trade: A Policy Towards Economic Growth and Development. (Doctoral thesis), Vienna University of Economics and Business, 2010 p-108

- A significant role of natural resources, which can be involved in production only together with large volumes of capital (for example, in extractive industries). This to some extent explains why exports from developing countries rich in natural resources are capital intensive, although capital in these countries is not a relatively excess factor of production.
- The impact on the international specialization of foreign trade policy of states. The state may restrict imports and stimulate domestic production and export of products of those industries where relatively scarce production factors are intensively used.

"Alternative" theories of international trade

Significant changes taking place in the system of world economy and international relations in the postwar period led to the emergence of a number of factors that do not always fit into the classical theory of comparative advantage. These new factors do not so much reject the classical theory, but to some extent reflect the new realities of international trade.

One of the modern theories of international trade is the concept of the "technological gap" (G. Huffbauer, R. Vernon — USA). When analyzing the intra-industry exchange of countries with a similar economic structure, the authors of this concept focus on the temporary gap in the production and export of the same products in different countries. Specialization with this approach is determined by the sequence of the start of production of products in different countries using those production factors that allow them to occupy strong positions in conditions of their simultaneous entry into the world market. A country that has mastered the production of a new product has comparative advantages over others, due to the monopoly in the market for this product and ensures satisfaction of both domestic consumption and external demand.

The appearance of a new product in a given country is explained by differences in the scientific and technical potential, the level of qualification of the workforce (including the amount of wages), and the degree to which the production apparatus perceives the achievements of scientific and technological progress. Since the mid 60's. Western economists (R. Vernoy, J. Kravis, L. Wells and others) are actively developing the theory of the "product life cycle". This theory explains the development of world trade in finished products based on the stages of its life in the market.

At the first stage, when the product is produced in small batches, the most important factors are scientific personnel and engineers. During the period of growth, the production

of the product becomes more and more massive, imitating products appear in other countries, and know-how spreads. At this phase, the production of the product begins to move to countries that are less developed in scientific and technical terms.

In the third phase of the cycle, the number of competing products increases; demand is maintained by lowering prices. The problem of reducing production costs comes to the fore. As a result, there is a tendency to move the production of this product to those countries where the costs of its production are lower. Satisfying the demand for this product in developed countries comes from its imports from countries with low production costs. In the country where this product is the parent, the product technology is being improved or a relatively new product is being created in return. The theory of the "product life cycle", reflecting certain realities of the development of the production of many products, is not a universal explanation of the development trends of international trade. There are many products (for example, products with a short life cycle, high transportation costs that provide significant opportunities for differentiation in quality, with a narrow circle of potential consumers) that do not fit into the theory of the "product life cycle".

Economies of scale

Some economists reveal the mechanism of international trade, using the effect of scale production. Advocates of this approach, along with B. Olin, who was actively shaping this theory, are R. Driese, P. Krugman, G. Hoffbauer and others. The essence of this theory is that a country with a large domestic market will export those goods whose profitability is determined by economy in large-scale production. International trade allows you to expand the market, to form a single integrated market, more capacious than the market of any single country. A country with a small domestic production market will concentrate on the production of products that do not require special advantages on a scale, i.e. unique products in high demand in the world market, despite the relatively high selling prices.[18]

The theory of the effect of scale of production is also not universal, since it considers only part of the nomenclature of foreign trade. In addition, the implementation of the economies of scale of production is associated with the concentration of production and the enlargement of firms turning into monopolists. Accordingly, the structure of markets and the mechanism of their functioning are changing. They become oligo-political with their

[18] COISSARD S. Paul Krugman: Theory in Service of Economic Policy 2009 ISBN: 9782352400387

characteristic monopolistic competition, which impedes the development of international trade on the principles of liberalization of international economic relations.

A successful attempt to identify new factors determining the development of modern international trade was made by the American economist M. Porter. In his works devoted to the study of international competition, he identifies four main parameters that determine the development of modern foreign trade of the largest industrialized countries: factors of production; demand conditions; close and service industries; company strategy and competition.

M. Porter shows that factors of production by a country are not inherited but are created in the process of its expanded reproduction. Demand conditions are market requirements that determine the development of the company, as well as accounting and anticipating the development of the world market.

The third component, which determines the development of foreign trade of the company, characterizes the presence of a competent, highly professional, with deep tradition of production environment, affecting the activities of the company.

The fourth parameter is firm strategy and competition. In developing a competitive strategy, companies strive to find opportunities to compete effectively and long-term in their industry. “A universal competitive strategy,” says M. Porter, “does not exist only a strategy that is consistent with the actions of a particular industry, the skills and capital that a particular company possesses, can bring success.”

Research M. Porter received official recognition. He took part in the development of practical recommendations on state policy to increase the competitiveness of national goods in the USA, Australia, New Zealand.[19]

In addition to the theories that set out to explain and justify the processes of international trade from the standpoint of the theory of comparative advantages, a direction analyzing the nature of modern international trade from the standpoint of the behavior of large international corporations is developing in Western economic thought. The objective basis of this approach is the fact that 1/3 of world trade is carried out through transfer prices, i.e. prices operating within the intersectoral branch network of large corporations. According to some reports, intracompany ties account for about 70% of all world trade, 80-90% of licenses and patents sold, 40% of capital exports.8 The growing role of international

[19] STIGLER J. The Economies of Scale, The Journal of Law and Economics 1, no. (Oct., 1958): 54-71.

corporations in the global economy significantly affects the qualitative characteristics of trade exchange.

The actions of an international corporation in the process of direct investment or procurement, as well as the supply of raw materials and components, often contradict the theory of comparative advantage. TNCs break the monopoly of individual countries into possessing comparative advantages. They organize production where production costs are lowest and take advantage of their own interests.

The theory of international trade, in particular, the theory of comparative advantages, argues that as a result of the development of foreign trade relations, all countries participating in them gain in increasing production in export-oriented industries, and in increasing general welfare. The theory of the "foreign trade multiplier" plays an important role in substantiating this thesis.

Theory of "Foreign Trade Multiplier"

In accordance with this theory, the effect exerted by foreign trade (in particular, export) on the growth dynamics of national income, on the size of employment, consumption, and investment activity is characterized by well-defined quantitative dependencies for each country. It can be calculated and expressed as a specific coefficient - a multiplier (multiplier). Initially, export orders will directly increase output, therefore, wages in the industries that fulfill this order. Then secondary consumer spending will move.

However, increasing exports does not always lead to a favorable result. As the American economist J. Bhagwati showed in 1958, expanding the export of raw materials for countries whose economic growth is mainly associated with this resource can lead to a deterioration in the terms of trade and a decrease in the welfare of the nation. A rapid increase in the export of raw materials leads to such a fall in world prices for this product, which blocks the positive effect of economic growth.

Particular attention should be paid to the consequences of the development of foreign trade for the country's economy with a changing supply of factors of production. In the long run, the supply of production factors does not remain constant: the accumulated capital increases, new mineral deposits, new lands are brought into circulation.[20]

[20] POLAK J. The Foreign Trade Multiplier American Economic Association, 1947, https://www.jstor.org/stable/1812859 [Accessed 02.03.2020]

Rybczynski theorem

he consequences of uneven growth of factors of production lead to the fact that the predominant growth of one of them increases the share of the sector where it is constantly used. At constant world prices, this also leads to a reduction in the production of goods in other sectors of the economy. This is because every time a sector where the cheaper factor of production is most heavily used, "takes away" all other mobile factors of production from another. Pointing to this regularity, the English economist T. Rybczynski (in 1955) formulated his theorem: at constant prices and the presence of only two sectors in the economy, the growth of one of the factors of production leads to an increase in the output of the product for the production of which this factor is used more intensively , and reduce output in another sector. It follows from the theorem of T. Rybczynski that the development of new deposits, for example, oil and gas, can impede the development of other industries, in particular manufacturing.[21] Conversely, active investment and skill development in a fast-growing economy with developed foreign trade can lead to a reduction in the extraction of raw materials and cause an increase in dependence on its import.

Practice has confirmed the conclusions of the English economist. The trends identified by him were manifested in the processes of US economic development and their sectoral structure of foreign economic relations. The United States has evolved from a net exporter to a net importer of minerals, in particular as a result of the accumulation of capital and the growth of labor force qualifications. The practice of actively developing raw materials (oil, gas) by Canada, Great Britain, the Netherlands, and Norway, to the detriment of manufacturing industries and export of its products, also testified to the conclusions of Rybczynski's theorem.

Trade Policy Tools, tariff - non-tariff regulation of the international trade and, hidden trade policy

In the context of a tough struggle for special national interests, not all countries at any given moment benefit from international trade. The vehicle for this competition is trade policy.

[21] MURRAY C. International Trade with an Exhaustible Resource: A Theorem of Rybczynski Type, JSTOR 1979 DOI: 10.2307/2526265

Trade policy is a policy of state influence on international trade through taxes, subsidies, regulation and stimulation of foreign economic activity. In trade policy, there is a constant interaction of two opposing trends: liberalization and protectionism.[22]

Freedom of trade is a policy of minimal government intervention in foreign trade, which develops based on free market forces of supply and demand.

Protectionism is associated with the establishment of trade barriers, and liberalization with their abolition. The main tools of trade policy include:

- Customs tariff - excise tax, which is also introduced for the purpose of generating income.
- Trading quotas - established limit volumes of goods that can be imported or exported in a certain period.
- Non-tariff barriers: licensing system, setting quality standards, bureaucratic prohibitions in customs procedures.
- Subsidies and concessional lending to foreign trade.

Trade Policy Tools

The international economy studies mainly the economic prerequisites and consequences of implementing trade policy measures, leaving legal and organizational issues for consideration by specialized branches of science, such as international trade law, international marketing, etc.

The instruments of state regulation of international trade by their nature are divided into tariff ones – those that are based on the use of the customs tariff, and non-tariff ones - all other methods. Non-tariff methods of regulation are divided into quantitative methods and methods of hidden protectionism. Separate trade policy instruments are more often used if necessary, either to limit imports or to boost exports.

Tariff methods for regulating international trade

Depending on which side of the trade policy is considered important, there are several complementary definitions of the customs tariff.[23]

The customs tariff, depending on the context, can be defined as:

[22] KRIST W. Chapter 3: Trade Agreements and Economic Theory, The Wilson Center, 2020. https://www.wilsoncenter.org/ [Accessed: 03.03.2020]
[23] Ebrary, World Economy and International Economic Relations - Academic library https://ebrary.net/ [Accessed: 03.03.2020]

- an instrument of trade policy and state regulation of the country's domestic market in its interaction with the world market.
- a set of customs duty rates applicable to goods transported across the customs border, systematized in accordance with the commodity nomenclature of foreign economic activity.
- the specific rate of customs duty payable upon export or import of a certain product into the customs territory of the country. In this case, the concept of customs tariff fully coincides with the concept of customs duty.

In some countries, the customs territory may not coincide with the geographical territory. A commodity is usually understood to mean any property transported across the border, including, for example, such specific as electricity.

The customs tariff of any country consists of specific rates of customs duties that are used for the taxation of imported or exported goods.

Customs duty - a mandatory fee levied by the customs authorities upon import or export of goods and which is a condition of import or export.

Customs duties fulfill three main functions:

- fiscal, which applies to both import and export duties, since they are one of the items in the revenue part of the state budget.
- protectionist (protective) related to import duties, since with their help the state protects local producers from undesirable foreign competition.
- balancing, which refers to export duties established to prevent unwanted exports of goods whose domestic p`123rices for one reason or another are lower than world prices.

Classification of customs duties.

By method of collection:

- ad valorem - accrued as a percentage of the customs value of taxable goods (for example, 20% of the customs value).
- specific - accrued in the prescribed amount per unit of taxable goods (for example, $ 10 per 1g).
- combined - combine both above types of customs taxation (for example, 20% of the customs value, but not more than $ 10 per 1g).

By object of taxation:

- import - duties that are imposed on imported goods when they are released for free circulation on the domestic market of the country. They are the prevailing form of duties used by all countries of the world to protect national producers from foreign competition.
- export - duties that are imposed on exported goods when they are released outside the customs territory of the state. They are used extremely rarely by individual countries, usually in case of large differences in the level of domestic regulated prices and free prices of the world market for individual goods and are aimed at reducing exports and replenishing the budget.
- transit - duties that are imposed on goods transported in transit through the territory of a given country. They are extremely rare and are used primarily as a means of trade war.

The nature:

- seasonal - duties that are used for the operational regulation of international trade in seasonal products, primarily agricultural. Usually, their validity period cannot exceed several months per year, and for this period the normal customs tariff for these goods is suspended.
- anti-dumping - duties that are applied if goods are imported into the country at a price lower than their normal price in the exporting country, if such imports damage local producers of such goods or impede the organization and expansion of national production of such goods.
- compensation - duties levied on the import of those goods in the production of which subsidies were directly or indirectly used if their import causes damage to national producers of such goods.

Non-tariff methods of international trade regulation

Often, an alternative arises for the government: which trade policy tool-tariff or non-tariff – to use in a particular situation.[24] Non-tariff methods are often preferred, since they are politically considered more acceptable, because, unlike tariffs, they are not an additional

[24] Ebrary, World Economy and International Economic Relations - Academic library https://ebrary.net/ [Accessed: 03.03.2020]

tax burden for the population. In addition, non-tariff measures in a sense are more convenient in achieving the desired result. Finally, non-tariff restrictions are almost not regulated by international agreements, and, using them in their trade policies, governments feel freer than when tariff restrictions are imposed, which are regulated by the World Trade Organization (WTO).

In most cases, the use of non-tariff methods, especially intensive quantitative ones, along with even a relatively liberal customs regime, leads to a more restrictive nature of state trade policy.

Quantitative restrictions - an administrative form of non-tariff state regulation of trade turnover, which determines the quantity and range of goods allowed for export or import.

The most common form of quantitative constraint is a quota or contingent. These two concepts have practically the same meaning, with the difference that the concept of contingent is sometimes used to indicate seasonal quotas.

Quota - a quantitative non-tariff measure to limit the export or import of goods by a certain quantity or amount for a certain period.

According to the direction of their action, quotas are divided into:

- export - are introduced either in accordance with international stabilization agreements establishing the share of each country in the total export of a particular product (oil export from OPEC countries), or the government to prevent the export of goods that are scarce in the domestic market.
- import - introduced by the national government to protect local producers, achieve a balanced trade balance, regulate supply and demand in the domestic market, as well as a response to discriminatory trade policies of other states.

In terms of coverage, quotas are divided into:

- global - are established for import or export of a certain product for a certain period of time, regardless of which country it is imported to or to which country it is exported. The meaning of such quotas is usually to provide the necessary level of domestic consumption, and their volume is calculated as the difference between domestic production and consumption of goods.
- individual - the quota established by the global quota for each country exporting or importing goods. Such quotas are usually set on the basis of bilateral agreements, which give the main advantages in the export or import of goods to those countries

with close mutual political, economic and other interests. Most often, individual quotas (contingent) are seasonal, that is, they are introduced for a certain period of time when the domestic market is most in need of state protection. Usually these are autumn months, when agricultural products of a new crop are sold.

Closely related to quotas is another type of state regulation of foreign economic activity, called licensing.

Licensing – regulation of foreign economic activity through permits issued by state bodies for export or import of goods in specified quantities for a certain period. Licensing may be an integral part of the quota process or be an independent instrument of state regulation. In the first case, the license is only a document confirming the right to import or export goods within the framework of the quota; in the second, it takes on several specific forms:

- one-time license - a written permit for a period of up to 1 year to import or export, issued by the government to a particular company for the implementation of one foreign trade transaction.
- general license - permission to import or export a particular product during the year without limiting the number of transactions.
- global license - permission to import or export this product to any country in the world for a certain period of time without limiting the quantity or cost.
- automatic license - a permit issued immediately after receiving an application from an exporter or importer, which cannot be rejected by a state body.

Along with quantitative methods, an important role among non-tariff methods of trade policy is played by methods of hidden protectionism, which are various barriers of a non-customs nature that are erected on the way of trade by central state and even local authorities.

Types of hidden protectionism.

According to some estimates, there are several hundred types of hidden protectionism with which countries can unilaterally restrict imports or exports. Among them:

- technical barriers - hidden methods of trade policy that arise due to the fact that national technical, administrative and other rules and regulations are designed to impede the import of goods from abroad. The most common technical barriers are

requirements to comply with national standards, to obtain quality certificates of imported products, to specific packaging and labeling of goods, to comply with certain sanitary and hygienic standards, including environmental protection measures, and compliance with complicated customs formalities and legal requirements consumer protection and many others.

- domestic taxes and collection - hidden methods of trade policy aimed at increasing the domestic price of imported goods and thereby reducing their competitiveness in the domestic market.
- public procurement policy is a hidden method of trade policy that requires government agencies and enterprises to buy certain goods only from national firms, even though these goods may be more expensive than imported ones. The most typical explanation for such a policy is national security requirements.
- the requirement for the content of local components is a hidden method of the state's trade policy, which legally establishes the share of the final product that should be produced by national producers, if such a product is intended for sale on the domestic market

3.1.3 The revealed comparative advantage indexes the and the definition of the compound annual growth rate analysis.

Identified Comparative Advantage Index (RCA) - calculated as the ratio of the share of exports of a certain type of product in the country's total exports to the share of the same type of products in world exports.

The index was proposed by B. Balassa in 1965 with the aim of identifying the idea of the country's trade advantages with respect to products, which, according to his ideas, most fully corresponds to the comparative advantages available in the countries: their volumes are formed under the influence of both price and non-price factors, about 75% of the world commodity turnover falls on industrial. finished products, bargaining. this group of goods is most liberalized, while bargaining. raw materials are largely regulated by quotas, subsidies, tariff and non-tariff restrictions, etc.[25]

$RCAij1 = (xij / Xit) / (xwj / Xwt)$,

[25] Balassa, B. Trade Liberalization and Revealed Comparative Advantage. The Manchester School of Economic and Social Studies, 1965, 99-123.

where RCAij1 - RCA calculated for the export of products; xij and xwj - the volume of proceeds from the export of goods j for country i and the world export of goods j; Xit and Xwt are the total exports of the selected country and the world.

Index values can vary from 0 to 1, in the absence of specialization in a certain sector of the economy, and from 1 to infinity if there is a competitive advantage in it. In practice, there are several approaches to calculating the index - in addition to export, indicators of import can be used, as well as balanced data on export and import of products. In addition to those listed above, there is an indicator of net identified benefits based, as in the latter case, on the basis of the country's import and export and calculated by the ratio of export earnings and payments on product imports. Here are some of them.

An alternative calculation of the index of the revealed comparative advantage was proposed taking into account both exports and imports of this product, which allows to determine comparative advantages taking into account intra-industry bargaining. (D. Greenway, C. Milner, 1993). RCA2 = (Xij - Mij) / (Xij + Mij), where Mij is the volume of payments for the import of goods j for country i. The value of this RCA is in the range from -1 (no “identified comparative advantage”) to +1 (“identified comparative advantage).

However, in interpreting this index, uncertainty may arise, provided that the index is zero. In this regard, D. Greenway and C. Milner proposed another formula based on the Balassa equality: RCA3 = (Xij / Xit) / (Mij / Mit) = (Xij / Mij) / (Xit / Mit) , where Xit and Mit are the volumes of payments, respectively, for export and import, group of goods t for country i. Subsequently, it was proposed to calculate the natural logarithm of the indicator corresponding to the RCA4 index.:

RCA4 = ln ((Xij / Xit) / (Mij / Mit)) * 100 = ln ((Xij / Mij) / (Xit / Mit)) * 100

The advantage of this formula is the comparability of the index values, regardless of the initial values. Thus, an increase in RCA4 by 100 always indicates a 2.72-fold increase in RCA3. In an attempt to avoid the uneven distribution of the indicator values relative to the neutral position between the two named options when calculating RCA1, it was proposed to normalize this indicator. The resulting index with a symmetric distribution of values was called symmetric RCA.: RSCAij1 = (RCAij1-1) / (RCAij + 1), where RSCAij1 is the symmetric index of the revealed comparative advantage of product j for country i.

The index shows whether a country is expanding the output of goods in which trade potential is laid, in contrast to cases when the volume of production of competitive goods is

unchanged. Based on this indicator, potential trading partners of the country are also identified. For example, countries with a similar export structure are not inclined to develop bargaining. among themselves, except when bargaining. carried out within individual industries. The values of the indicator, calculated on the basis of the volume of imports, allow us to determine the comparative advantage of a country in any type of activity with the predominance of goods necessary for its implementation in imports.[26]

It should be noted that when using the index of the revealed comparative advantage, serious problems arise, because the change in the market share on the basis of which the index is calculated reflects not only the change in the internal comparative advantage of the exporting countries, but also the prevailing demand in the importing countries and, therefore, depends on the relative prices of the region established at the beginning of the auction. This fact gives rise to certain difficulties in the analysis of index values over time.

Compound Annual Growth Rate (CAGR) is a really important tool for a consultant to compare long-term growth scenarios.

Counselors often like to compare growth rates this year with growth rates next year (see Benchmarking). If you look at the growth rate from year to year, it often depends on several one-time factors. In addition, consultants often have to work with growth plans that include company goals for the future (usually for the next 5 years). These growth plans, in turn, consist of a set of measures, each of which has a different effect in different years. Frequently Asked Question: How much does the company grow on average? To answer this question, you need to use CAGR. CAGR shows an annual growth rate if it grew at a steady rate year on year.

How to Calculate the CAGR: Formula

$$\text{CAGR} = \left(\frac{V_N}{V_0}\right)^{\frac{1}{N}} - 1$$

Where, V_0 is the initial cost of investment.

V_N is the final cost of investment.

N is the number of period (years)[27]

Applications and additional uses

[26] Balassa, B. Trade Liberalization and Revealed Comparative Advantage. The Manchester School of Economic and Social Studies, 1965, 99-123.

[27] A2 Finance, https://a2-finance.com/ [Accessed: 10.03.2020]

- Calculate the average growth of one investment
- Compare investment
- Track the effectiveness of various business measures or companies
- Identify competitive weaknesses and strengths

4 Practical Part

4.1 General overview about Uzbekistan and its relationship with the WTO.

In the following chapter, there is going to be reviewed an economy of Uzbekistan, the trend of Gross Domestic Product in the past 20 years from 2000 to 2019, and overall statistics of foreign trade, export, import, trade turnover and balance between the years 2000 and 2019. Moreover, the deep research is going to be done on the topic of Uzbekistan and WTO relationship.

Moreover, the comparison is going to be studied between the main trading partners of Uzbekistan and the EU. Also, the terms of total import and export volumes, trade balance and foreign trade turnover are going to be determined and highlighted. Most important part is when it comes to the researching of export/ import trends by the HS product sections and the aim of the HS is to reveal the significant product for Uzbekistan and the EU and determine the revealed comparative advantage of each selected HS sections by using the Balassa Index.

4.1.1 Economy of Uzbekistan

Geographically, Uzbekistan is a one of the two double-landlocked countries located in the Central Asia with 5 border countries, Kazakhstan, Kyrgyzstan, Tajikistan and Afghanistan.

A country is “doubly landlocked” or “landlocked” when it is surrounded only by landlocked countries and the second double-landlocked in the list is Liechtenstein in Central Europe, surrounded by Austria and Switzerland.[28]

Uzbekistan’s acquisition of its state independence opened up wide opportunities for it to independently pursue its foreign policy, develop its own ways of entering the world community, and determine the directions and priorities of interstate relations. Uzbekistan has great and diverse natural resources that create favorable conditions for the development of the economy. Their most important components are large mineral reserves in the industry

[28] Wikipedia “Landlocked country” edited 27.03.2020 https://en.wikipedia.org/wiki/Landlocked_country [Accessed on 27.03.2020]

(more than 2,700 deposits and promising manifestations of about 100 types of mineral raw materials), and in agriculture, vast tracts of fertile land, pastures, an abundance of solar heat and light, and considerable water resources.

Uzbekistan is one of the world leaders in terms of reserves of silver, tungsten and phosphorites, potassium salt, group metals and other valuable minerals, specifically, in explored reserves of gold within the fourth, uranium - within the seventh, molybdenum - within the eighth, and in confirmed reserves of copper - by 10, gas - 14th place within the world. Cotton and uranium occupy a vital place within the country's exports (second and third places within the world, respectively).[29]

Currently, a wide range of measures is being taken in Uzbekistan aimed at forming the institutional framework for integrating the national economy into the global capital market based on the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017–2021.

So, the adoption of targeted measures to develop the service sector contributed to the expansion of foreign economic relations, the introduction of modern technologies for the production of export-oriented products and materials, the development of transport and logistics infrastructure, increased investment attractiveness for the development of entrepreneurship and foreign investors, improved tax administration, the introduction of modern principles and banking regulatory mechanisms, the development of multidisciplinary farming enterprises eggs, as well as the accelerated development of the tourism industry.

The modern stage of development of the economy of Uzbekistan began in 2008 and continues to the present. It is characterized by the onset of the global financial and economic crisis. The diversified structure of Uzbekistan’s foreign trade turnover, which was the result of following the principles of the “Uzbek model” of development, has become reliable in the context of the expansion of the global economic crisis. The anti-crisis program (2009-2015), implemented in the republic, demonstrated the effectiveness of measures aimed at ensuring the sustainability and further development of the economy even in difficult crisis conditions, and at continuing important social programs that are designed to increase the level of employment and welfare of the population. According to the rating of the authoritative

[29] Ziyadullaev U. Ziyaeva M. The development of international trade and economic relations of the Republic of Uzbekistan. Russian Foreign Economic Bulletin, (7), 2018. UDC 339.5. p-63.

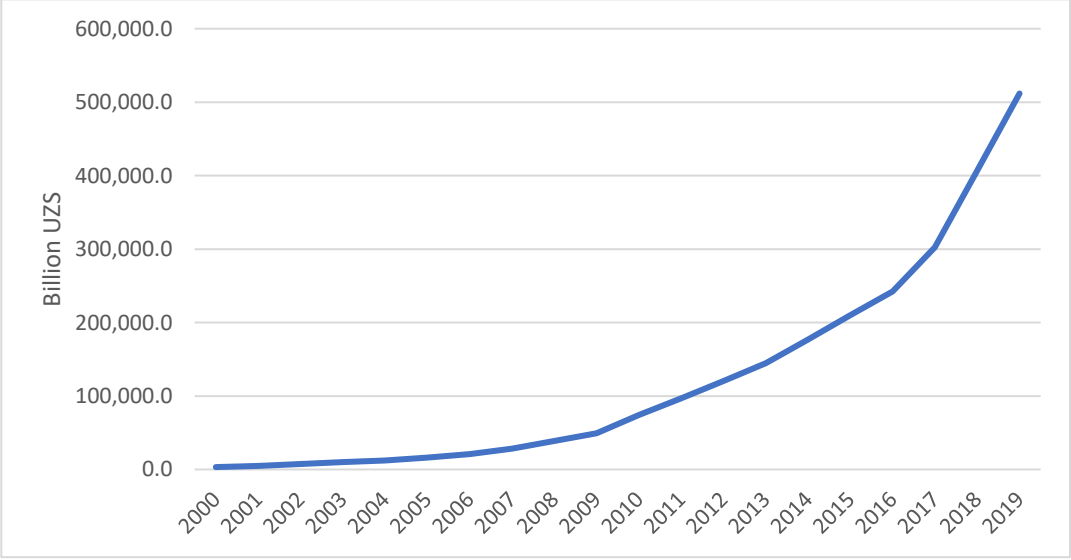
World Economic Forum, Uzbekistan is among the five countries with the fastest growing economies in the world in 2016-2017.

Uzbekistan is one of the industrialized republics of the CA region. About 24%[30] of its GDP is generated in the industry.

Uzbekistan has the most diversified economy in the region. According to the State Statistics Committee, Uzbekistan accounts for 80% of mineral fertilizers, 94% of chemical fibres, 54% of natural gas, 59% of cement, 65% of raw cotton, in the share of the total final product produced by Central Asian countries.

Thus, in Uzbekistan, at all stages of economic reform, the government plays the leading role. And today, state support aimed at continuing and deepening the progressive structural transformations and processes of renewing the life of our society gives a powerful impetus to further increase the potential, sustainability and balance of the national economy, and to implement important social projects with the aim of further improving the quality of life of the country's population.

Chart 1. Gross domestic product (GDP) of Uzbekistan, 2000-2019.



Source: UzStat - Macroeconomic-indicators (link) [Accessed on 27.03.2020]

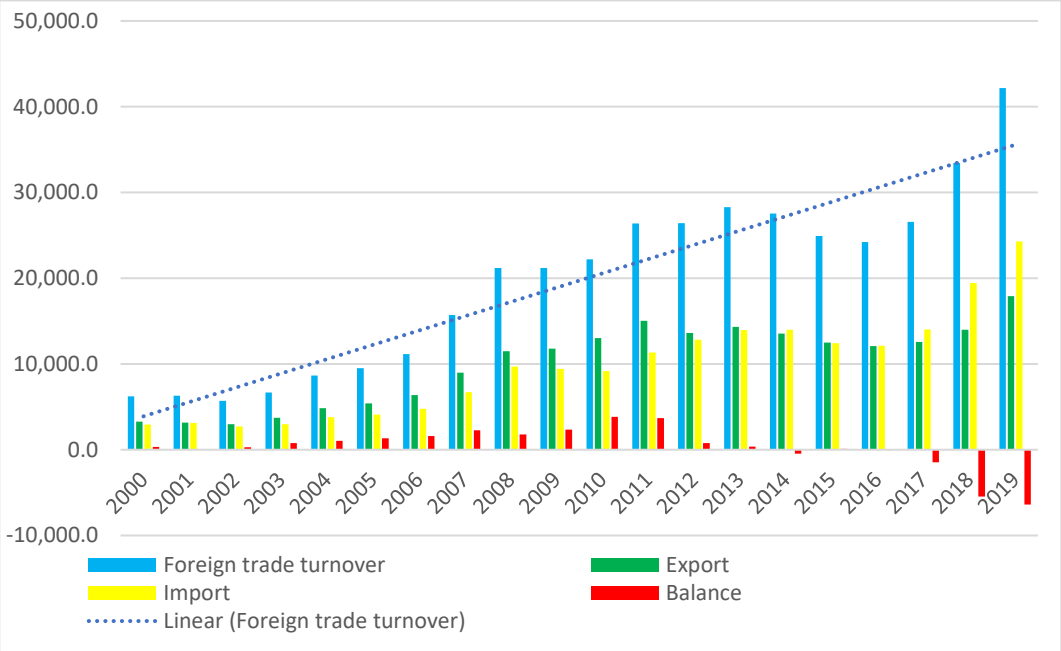
Generally, Uzbekistan is on the way of development on foreign trade, democratic policy maintenance, cost of living life and so on. As shown in the chart below its gross

[30] M. Ikramov, A. Abdullaev, International Journal of Humanities and Natural Sciences, Vol 1-2. DOI: 10.24411 / 2500-1000-2018-10474. p-49.

domestic product (GDP) is increasing year by year almost by 5 times, currently having 500,000 billion UZS (equivalent to almost $54 billion USD).

Also, its total trade volume has increased almost four-times in the last 20 years. As per the data below, in 2000s the amount of the foreign trade turnover was about $6.5 billion USD and it increased moderately, between 2007 and 2019 from $16 billion USD to almost $42 billion USD, respectively.

Chart 2. Volume of foreign trade of Uzbekistan, 2000-2019 (in million USD).



Source: Uzstat - Macroeconomic-indicators (link) [Accessed on 27.03.2020]

The share of trade balance started showing negative in the year of 2016 as the exporting in comparison to importing slowed down year by year and the number of trade balance showing about minus $6.5 billion USD whereas, the sum of export was $17.9 billion USD and importing volume had the most highest point $24.3 billion USD in 2019.

According to the data from the chart above, the import indicator grew by $ 4.8 billion USD, reaching $ 24.3 billion USD, which is 25% more than in 2018. The reason for that could be industrializing of the economy and market of Uzbekistan. Because, the main import items were mechanical equipment - $5.6 billion USD (23.1% of total imports), vehicles and spare parts - $2.6 billion USD (10.8%) and services - $2.4 billion USD (10%).

The Republic of Uzbekistan is still young, developing and politically reforming country. It is a core of ancient trade route of “Silk Road” and its location warrants to have

special attention of the China’s new project so called One Belt One Road, which target is to connect Uzbekistan through Kyrgyz Republic to Iran, Turkey and European railway connections. This project gives huge opportunities for strengthening the foreign trade, the industry sector and overall country’s economy itself.

4.1.2 The potential of Uzbekistan’s foreign trade relations

At the various levels of global and regional integration processes, Uzbekistan adheres to one very important principle: approach with one country should not be an exclusion from another. Uzbekistan's integration with the international community is a multi-sectoral relationship with various state and international organizations.

The EU plays an important role in this. As the EU's global role grows, countries around the world are trying to work with this integration group. The Republic of Uzbekistan has also defined its relations with the EU as an important aspect of its foreign economic policy. The words of President I.A. Karimov also fully support this view: “Uzbekistan's foreign policy towards Europe is increasing. It includes cooperation with European countries, as well as with the European continent, where regional integration processes are effectively implemented.”

France

The important EU member, France is actively involved in the creation of the European Union, and its rules and features have been deeply symbolized by the fact that they are here and embodied in the Paris Charter. Freedom, democracy, basic human rights and free ideas are in full harmony with the interests of Uzbekistan, the global economic, environmental, cultural and information space in our understanding.

The great history and the modern interconnectedness, the inexhaustible mental and spiritual potential make present-day France one of the largest and most influential countries in the world with powerful industry and science.

At present, it is an important factor in the study of directions of Uzbek-French relations, as well as their development and prospects. One of the main reasons for Uzbekistan's desire to develop its relations with the French Republic is that enhanced cooperation between the two countries can open up great opportunities for Uzbekistan in Europe. At the same time, it is necessary to acknowledge Uzbekistan's willingness to

establish bilateral and multilateral external relations and to cooperate within international organizations.

The main import and exports of Uzbekistan from France are powered aircraft (e.g. helicopters and aeroplanes; spacecraft, incl. satellites, and so on) - 14.5%, mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, based on one or more – 11.7%, Tractors (other than tractors of heading 8709) – 11.1%, and radioactive chemical elements and radioactive isotopes, incl. their fissile or fertile chemical isotopes – 36.7%, Molybdenum and articles thereof, N.E.S.; molybdenum waste and scrap – 35.4%, respectively in year of 2018. [31]

Germany

Germany and Uzbekistan have established bilateral relations since 1992. There is an Embassy of Germany in Tashkent. Germany and Uzbekistan have regular forms of consultations on political, economic and cultural cooperation. In 2019, after the visits of the two presidents, the cooperation expanded. The countries have established innovative partnerships, and Germany provides advisory services to support policy efforts to liberalize the economy.

Germany is becoming an increasingly important trade partner for Uzbekistan. There has been a dynamic growth in bilateral trade recently, in 2018 it stood at around € 661 million. The largest investors in Uzbekistan in Germany are MAN, Knauf, Gurring and Klaas.

4.1.3 Slow pace of Uzbekistan towards the World Trade Organization (WTO)

Since 1994, Uzbekistan has been discussing the agreement to the WTO. The country's accession process is underdeveloped, as the initial liberalization reforms were subsequently replaced by protectionist foreign trade policies. The change in the leadership of Uzbekistan in 2016 has prompted positive developments in WTO accession. The new leader of the country, Mirziyoyev has declared broad economic and political reforms to improve the country. However, economic reforms are likely to face opposition from government-backed and interested groups that have protectionism. Taking into account

[31] Groupe Société Générale, https://import-export.societegenerale.fr/en/country/uzbekistan/france-in-country-trade# [Accessed 05.03.2020]

various trends, this article is an important step for the Government of Uzbekistan to initiate reforms and build a sustainable market economy.

Uzbekistan was one of the first candidates for accession to the WTO in the post-Soviet space. However, after four consultations with WTO working groups (last meeting in 2005), access to Uzbekistan failed. Currently, Uzbekistan, along with Azerbaijan, Belarus and Turkmenistan, is the only country in the former Soviet Union that is not a member of the WTO.

Table 1. WTO accession status of the post-Soviet countries.

Country	**Application**	**Status/Membership**
Armenia	1993	2003
Azerbaijan	1997	Negotiations
Belarus	1993	Negotiations
Georgia	1996	2000
Kazakhstan	1996	2015
Kyrgyzstan	1996	1998
Moldova	1993	2001
Russia	1993	2012
Tajikistan	2001	2013
Turkmenistan	-	not started
Ukraine	1993	2008
Uzbekistan	**1994**	**Negotiations**

Source: WTO, 2017

The slow pace of negotiations resulted from changes in foreign policy priorities in Uzbekistan. Later some early liberalization reforms in 1994/1995, the authority agreed to approve a protectionist trade strategy. This was in response to worsening trade conditions (lower prices for the country's main export products). In 1996, The authority cut imports over foreign exchange controls and launched an import replacement system. The government attempted to limit "unnecessary" imports (e.g. consumer goods), limiting access to currency conversion, encouraging "desirable" imports (equipment, socially important goods, etc.) and making the Uzbek official top official. provided conversion at the exchange rate. This policy was later called the "Uzbek model of development."[32] The subsequent economic downturn in the former Soviet Union and Asia in 1998 exacerbated the

[32] Richard Pomfret, “The Uzbek Model of Economic Development, 1991-99,” Economics of Transition, 2000 p:743-748

government's response to protectionism. In this new environment, accession to the WTO is no longer a priority for the Uzbek government.

To conclude, in the early years, there started to focus on external cooperation, which is observed as an exit from trade barriers. Inside the country, the new government lifted currency restrictions, giving equal access to all importers in September 2017, both to individual and private. In addition, the government relaxed restrictions on exporters. There is a consensus in the expert community that these steps will lead to better social benefits.

WTO accession is a political process that requires intensive negotiations between the WTO and the member country. The country of entry must open its economy to international competition and agree to provide free access to its markets, although the terms of accession may vary. Once the state enters the WTO, additional trade limitations will not be tolerated, if not, the country will confront the outcomes of trade partners - in procedure liberalization is permanent.

The knowledge of new members of the WTO shows that the economic advantages from their accession to the WTO can be experienced in the extended period. However, there is a direct political benefit from being a member, as it emphasizes its commitment under WTO law to help improve its legislation and protect itself from interest groups. Indeed, the introduction will help the government maintain market stability and create a stable trade and investment climate. Uzbekistan has long been a period of liberalization and protectionism. Therefore, the new leadership of Uzbekistan's decision to implement liberalization reforms must ensure that it will soon become a practical one. WTO accession is crucial to the success of the reform process and cannot be reversed at a later stage.

Currently, foreign trade of Uzbekistan is more closed in terms of average import tariffs than in the case of other states of the South Caucasus and Central Asia (see Table 2). Uzbekistan applies duties ranging from 0 to 30% on imports. Zero or lower duties apply for primary or intermediate goods and higher rates for final products. Some goods that compete with domestic goods are subject to additional excise duties on imports. The applicable duties (for example, import tariff and specific excise tax) on cars exceed 100% of the cost of importing a car. The numbers below, which show average tariff rates, do not tell the whole story, since they do not take into account non-tariff barriers to trade.

Table 2. The comparison of Uzbekistan's customs duties with former USSR countries.

Country	Import tariff rate range (min-max) %	Average tariff rate, all products %	Average applied tariff rate, all products %
Armenia	0-100	7.8	6.36
Azerbaijan	0-15	8.25	8.52
Belarus	0-100	7.8	6.02
Georgia	0-30	1.47	0.43
Kazakhstan	0-100	7.8	6.91
Kyrgyzstan	0-100	7.8	5.33
Moldova	0-75	5.6	5.41
Russia	0-100	7.8	5.33
Tajikistan	0-15	6.14	6.14
Turkmenistan	10-100	5.43	n/a
Ukraine	0-60	10	4.08
Uzbekistan	**0-30**	**14.2**	**13.66**

Source: Normatov, (2018) based on data on The World Bank.

The path of Uzbekistan to the WTO has been long due to the slow pace of market reforms. The country opted for protectionism in response to external shocks. Protectionist policies, although they had some advantages during the economic crisis, generally led to higher costs because they did not allow for deep market reforms. Foreign trade remained limited, and the country's attractiveness for FDI was low compared to the rest of the region. Nevertheless, there is optimism about reforms moving forward with a change of leadership.

Joining the WTO is likely to bring Uzbekistan greater benefits than in other countries of the former USSR. Uzbekistan is economically more closed and ranks first among countries in the region in terms of per capita FDI inflows. Lower import duties will provide more choice for consumers, and investment flows are likely to increase due to improved legal and institutional frameworks. Most importantly, joining the WTO will allow for further market reforms, making it difficult, if not impossible, to step back.

Given the history of economic reforms in Uzbekistan (with reform efforts along with protectionism), the risk of reversing the reforms cannot be ruled out. The following recommendations are therefore recommended:

- WTO accession negotiations should be accelerated.
- import duties should be reduced to ensure competition in the domestic market.

- improvement of the legislation on foreign trade and investments in accordance with international standards.
- External contributors should, if necessary, provide technical and financial assistance and support trade policy reforms in Uzbekistan.
- Promotion of trade policy reform and Uzbekistan's accession to the WTO should be reflected in the program documents of external participants (e.g., the EU strategy for Central Asia).

WTO accession is important for Uzbekistan and with accession to the WTO and having an open, transparent and growing economy, Uzbekistan is becoming more attractive and attractive to international businesses.

4.2 Factors and analysis of trade of Uzbekistan and the European Union.

In this part, there were expressed the international trade relations of Uzbekistan with the European Union members, important events in numbers and the research in 10 years' time-series of each member states of the EU on commodity trade. Also, there is reviewed and summarized the opportunities for the bilateral development of each trading partners, Uzbekistan and the EU.

4.2.1 Main features of trade relations between Uzbekistan and the European Union.

Much work is being done to strengthen the foundations of the democratic society and strengthen its role in the international arena in the country, especially in its domestic and foreign policy, expanding its mutually beneficial bilateral relations with foreign countries, regional and international organizations. The European Union is among such partner. After all, political dialogue, trade and economic, cultural and humanitarian relations, as well as regional and environmental security are among the priorities of our country and the European Union.

On December 31, 1991, with the Joint Declaration of the Twelve, the European Communities and their 12 member states recognized the independence of the Republic of Uzbekistan.[33] The basis of the relations of the Republic of Uzbekistan with the European Union was established on April 15, 1992 by the Memorandum of Understanding between the Government of the Republic of Uzbekistan and the European Commission (EC). On November 16, 1994, diplomatic relations were established between the parties.[34]

The Mission of the Republic of Uzbekistan to the European Communities began its work in Brussels on May 6, 1995. In October 2002, the European Commission, which serves as the diplomatic mission of the European Communities in Uzbekistan to support the implementation and management of the European Commission, started its work in Tashkent.

[33] Víctor Rodríguez Cedeño, UNILATERAL ACTS OF STATES [Agenda item 5], (*DOCUMENT A/CN.4/542*1*), Original: English/French/Spanish, 22 April 2004.
[34] Yunusov, K. Partnership and Cooperation Agreements of the European Union with Central Asian Countries (*journal article*). Studii Europene, 1, 9-18. 2014. https://nbn-resolving.org/urn:nbn:de:0168-ssoar-418806

Establishing a comprehensive partnership with Uzbekistan is beneficial and beneficial to both the EU and its Member States. The Alliance has significant interests in Central Asia, and it has both economic and geopolitical importance, especially the European Union, which provides this region with services, equipment and investment, while also having significant energy output from the region. It also has an interest in the development of the energy sector in the region. The European Union and Central Asia: Strategy for a New Partnership, adopted by the EU Council on May 30, 2007, further reflected the strategic interests of the European Union in the region.[35]

Establishing multilateral diplomatic relations between the European Union and its Member States and the Republic of Uzbekistan has laid the groundwork for the development of economic, political, cultural, scientific and other cooperation between the parties. Over the past years, the contractual and legal basis of relations has been formed and strengthened.

On June 21, 1996 at the Fortezza de Basso Castle in Florence, Italy, the Republic of Uzbekistan and the European Union and their Member States held a The Partnership and Cooperation Agreement was signed by the Republic of Uzbekistan, on the one hand, and between the European Communities and their Member States, on the other. At the signing of the agreement, the President of the Republic of Uzbekistan noted that this agreement will serve as a new turning point in the relations between the European Union and independent Uzbekistan and open wide opportunities for the social and economic development of our young state: Signing of the Partnership and Cooperation Agreement is undoubtedly an important event proving our relationship to a new, decisive phase.[36]

Uzbekistan is the second country in the former Soviet Union to sign such an agreement after Russia. It is the legal basis for the relations between Uzbekistan and EU Member States, as well as opens wide opportunities for political, economic, scientific, technical and cultural relations.

In May 1999, all important events for the ratification of the Partnership and Cooperation Agreement with the European Parliament and EU Member States were completed. On July 1, 1999 the Partnership and Cooperation Agreement entered into force

[35] Rue de la Loi, General Secretariat of the Council, The European Union and Central Asia: the new partnership in action. European Communities, 2009, p-7. ISBN 978-92-824-2467-4

[36] Yunusov, K. Partnership and Cooperation Agreements of the European Union with Central Asian Countries (*journal article*). Studii Europene, 1, 9-18. 2014. https://nbn-resolving.org/urn:nbn:de:0168-ssoar-418806

and an Uzbek-EU Cooperation Committee was established in place of the EU-Uzbekistan Joint Committee.

As part of the Partnership and Cooperation Agreement, there are five joint agencies that govern the relations between the Republic of Uzbekistan and the European Union. These include the **Cooperation Council, the Cooperation Committee, the Inter-Parliamentary Cooperation Committee, the Committee on Trade and Investment, and the Subcommittee on Justice, Internal Affairs, Human Rights, and others**.[37] The objectives of these institutions are to regularly discuss the current state of relations in the relevant areas, develop ways for their further development, the ongoing reforms in Uzbekistan and the domestic political situation in the European Union, regional security in Central Asia and cooperation, as well as corresponding to the interests of both sides to exchange views on international issues.

During 2016-2020, the Commission of the European Communities will develop agriculture and rural areas, including bilateral trade, small and medium-sized businesses, energy, environment, science and education, both in our country and in the region and assistance in improving governance, reforming the judicial system, border and customs security.

The European Union is traditionally one of the five largest trade partners of Uzbekistan, steadily taking fourth place after China, Russia and Kazakhstan. In 2017, there was a noticeable growth: the volume of trade operations increased to $2.5 billion USD, while the share of Uzbek exports in trade between the EU and Uzbekistan also increased, reaching almost 17% ($420.7 million USD).[38] The structure of Uzbek exports, according to available data, is relatively stable. Its basis (with some fluctuations in percentage terms) is made up of products of the chemical and related industries, minerals and other raw materials, textiles and clothing, fruits and vegetables and other agricultural products. The same directions can serve as a source of further increase in export volumes from the republic to the European Union. Among the goods imported from the EU, the main positions are invariably occupied by machinery, equipment and mechanisms, as well as products of the chemical and related industries (in the latter case, at least half of the volume falls on medicines).[39]

[37] https://mfa.uz/en/cooperation/international/381/ [Accessed 20/02/2020]
[38] Kukol S. *State and prospects of cooperation between Uzbekistan and the European Union,* Sostoyaniye i perspektivy sotrudnichestva Uzbekistana i Yevrosoyuza, 2018, p-109. UDC 327 (575.1)
[39] Kukol S. *State and prospects of cooperation between Uzbekistan and the European Union,* Sostoyaniye i perspektivy sotrudnichestva Uzbekistana i Yevrosoyuza, 2018, p-110. UDC 327 (575.1)

At the same time, representatives of the European Union and the Republic of Uzbekistan consider the existing volumes of trade operations unsatisfactory and support their increase. Besides, representatives of the official and business circles of the Republic of Uzbekistan have hopes for an expanded EU general system of preferences (GSP), which will increase the number of duty-free goods delivered to the European Union from 3 thousand species to 6.2 thousand. Both sides highly appreciate the July 1, 2017, which entered into force the "Textile Protocol" to ATP: it allowed to reduce customs duties on cotton and textile products from Uzbekistan imported from the EU to 17% to 6%, lifted quantitative restrictions on their imports to Europe.[40] Also, according to the Uzbek side, which is actively working to diversify its economy, and in particular imports, the signing of the "Textile Protocol" is a step towards the transition to an expanded EU system of preferences.

The European Union has traditionally paid more attention to a wide range of indirect means of support. Among them, first, institutions stand out that allow for a constant exchange of views for the development of bilateral trade and economic relations. The work of the Subcommittee on Trade, Investment, Economics and Transport, which annually gathers representatives of state-owned companies, government of Uzbekistan and relevant units of the European Commission, is noted. They oversee the prospects for the development of bilateral investment and trade, the removal of barriers to economic activity. Great expectations are also associated with the creation of the Trade and Investment Council.[41] The parties believe that the direct inclusion in the negotiations not only of officials, but also of European and Uzbek entrepreneurs will allow intensifying business contacts.

Uzbekistan benefits from the Standard Generalized Scheme of Preferences (GSP) of the EU.

The idea of GSP was first formulated by the first Secretary-General of UNCTAD, Raul Plebisch at the first conference of this organization in 1964 and the system was adopted at the second conference in 1968. The objectives were as follows:

- increase the income of underdeveloped countries from exports;
- contribute to their industrialization;
- accelerate their indicators of economic growth.

[40] Gazeta.uz "Textile Protocol" between Uzbekistan and the EU came into force, 2017. URL: https://www.gazeta.uz/ru/2017/07/01/textile-protocol/ [Accessed: 20/02/2020]
[41] Anhor.uz, Uzbekistan and the EU will create a council on trade and investment, 2017. URL: https://anhor.uz/news/uzbekistan-es-sozdadut-sovet-po-torgovle-investiciyam [Accessed 20.02.2020].

GSP was initially flexible and all the essential components of the preferential regime were determined by the country providing the preferences, which decided to whom the preferences should be granted, on which types of products; set the rules of origin of goods and the duration of the preferential regime.

Table 3. GSP utilisation per beneficiary country by given years 2016-2018.

2016				
Third Country	**Imports ('000 €)**			**% GSP Utililsation**
	Total	**GSP eligible**	**GSP used**	
Tadjikistan (GSP)	81,968	12,916	11,822	91.5
Uzbekistan (GSP)	117,189	86,289	75,689	87.7
Kyrgyz Republic (GSP+)	72,289	6,089	3,244	53.3
2017				
Third Country	**Imports ('000 €)**			**% GSP Utililsation**
	Total	**GSP eligible**	**GSP used**	
Tadjikistan (GSP)	42,857	17,412	15,527	89.2
Uzbekistan (GSP)	176,378	134,804	121,308	90.0
Kyrgyz Republic (GSP+)	164,933	7,978	4,795	60.1
2018				
Third Country	**Imports ('000 €)**			**% GSP Utililsation**
	Total	**GSP eligible**	**GSP used**	
Tadjikistan (GSP)	46,884	15,383	14,083	91.5
Uzbekistan (GSP)	152,522	112,334	98,606	87.8
Kyrgyz Republic (GSP+)	631,176	10,070	6,112	60.7

Source: EC Directorate-General For Trade (link) [Accessed: 16.03.2020]

As mentioned above, Uzbekistan receives an advantage from the Standart GSP. The table shows that, the total amount of export from Uzbekistan to the EU was about 117 million euros, with almost 90% of GSP usage. Furthermore, the numbers raised in the next years by 35 million euros, about 152,5 million euros in 2018 with usage of 90% of the GSP.

In comparison to other countries of Cenral Asia, the position of Uzbekistan according to the GSP utililsation was held on the 2nd after Tajikistan (90% GSP utililsation) and, whereas Kyrgyz Republic only fulfilled 58.03% of GSP utililsation.

The data from the table below shows that, the significant share of export of Uzbekistan is related to textile based products and materials with the amount of 35 million euros however, it was fullfilled only about 90% of the plan.

On the other hand, it is visible that, the demand of exporting of such products as plastics and articles, natural resources and chemicals are mostly likely in high status with almost 100% fulfillment. The total persentage of fulfillman of the GSP of Uzbekistan was only 88.7 with the amount of roughly 95 million euros.

Table 4. GSP Utilisation Per Beneficiary Products in 2018.

2018					
Third Country	Product Section	Imports ('000 €)			% GSP Utililsation
		Total	GSP eligible	GSP used	
Uzbekistan	Textile products and materials	40,640	39,124	34,894	89.2
	Plastics and articles	23,738	23,738	23,564	99.3
	Natural recources	21,803	8,255	8,149	98.7
	Vagetables and fruits	19,974	11,793	9,517	80.7
	Different minerals	9,758	7,833	4,517	57.7
	Chemicals	8,735	8,245	8,216	99.6
	Articles of appearel and clothing accessories	6,293	6,293	5,907	93.9
	Raw hides, skins and leather	3,436	67	60	90.2
Total		134,377	105,348	94,824	88.7

Source: EC Directorate-General For Trade (link) [Accessed: 16.03.2020]

Despite the fact, that Uzbekistan gains opportunities from the GSP, the EU is not on the top position on trade with Uzbekistan.

On this background, the presence of the EU in the economy of Uzbekistan is noticeable mainly only in the trading segment. Moreover, even in this segment the European Union is significantly inferior to the same Russia and China.

So, let us have a look on the other main trading partners of Uzbekistan.

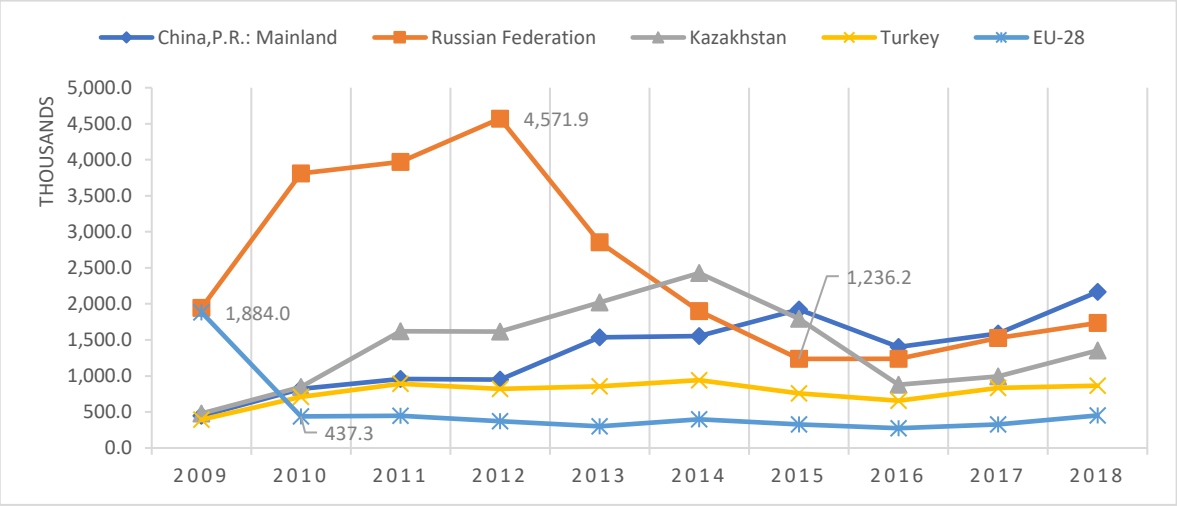
To compare the export of Uzbekistan to the EU-28, below chart shows its significance among other trading countries. In 2012, there were a huge number of people involved to harvest the cottonfields and was mainly exported to Russia.

As a result, Russia played the most visible and significant role in 2012 with about $4.5 billion USD whereas, the share of export of the EU-28 dropped almost from $2 billion USD to $500 million and remaining the trend steady and according to some data, in 2010 Uzbekistan decreased the export of cotton.

The reason for the decline in trade between Russia and Uzbekistan in 2015 was, first of all, the fall in dollar prices. The main thing, of course, is a decrease in the cost indicators of goods. At the same time, we observe a continued and even in some positions increase in physical volumes, and the second reason is the negative impact of measures taken by Russia to protect and support domestic producers, including within the framework of the EAEU, state purchases of automobile and textile products, military products.[42]

By 2018, the main exporting partners of Uzbekistan are China, Russia, Kazakhstan and Turkey.

Chart 3. The export of Uzbekistan to the main trading partners (in thousands, USD)



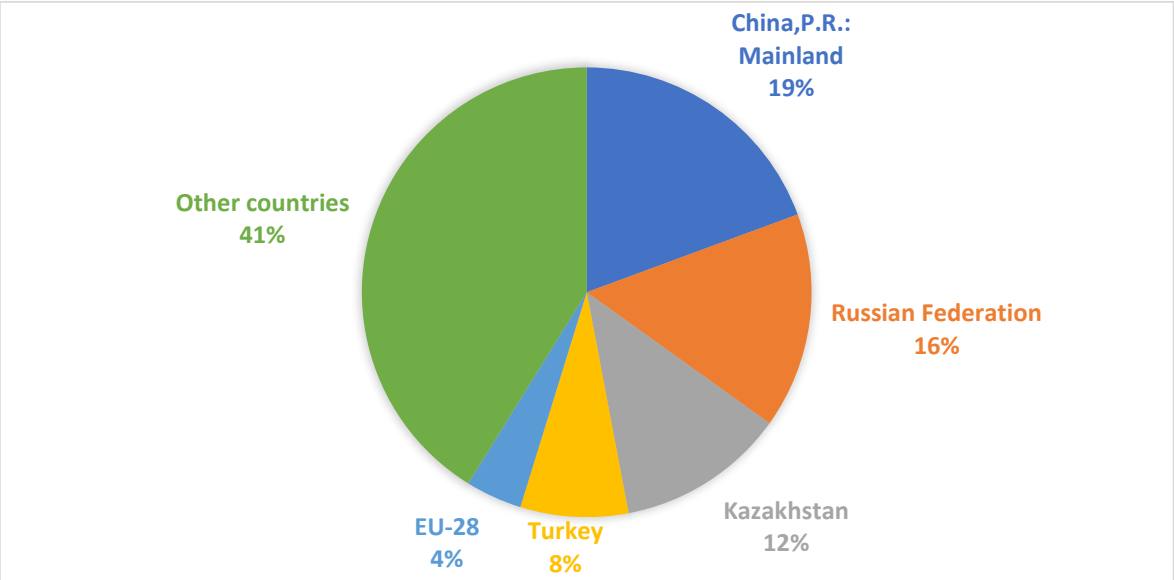
Source: Calculated by the authors according to the data from The state committee of the Republic of Uzbekistan on Statistics (link) [Accessed: 25.03.2020]

So, in 2018, the total share of all EU countries in the exporting of the Republic of Uzbekistan amounted to about 4% (about $500 million US dollars). For comparison, the

[42] Sputniknews "Trade turnover between Uzbekistan and Russia is restored" https://sptnkne.ws/tARK, 2016. [Accessed: 25.03.2020]

shares of Russia and China in the same year amounted to about 15.46% and 19.29%, respectively.

Chart 4. Shares of the European Union, China and Russia in the exporting of Uzbekistan, in 2018.



Source: Calculated by the authors according to the data from The state committee of the Republic of Uzbekistan on Statistics (link) [Accessed: 25.03.2020]

From the chart, it can be observed that the share of EU on the Uzbekistan's trade is obviously not the main trade partners. In comparison to another main trade partners, from the chart above, the main trading partner of Uzbekistan is Russia with almost 16% and, China with about 19% of total trade of Uzbekistan.

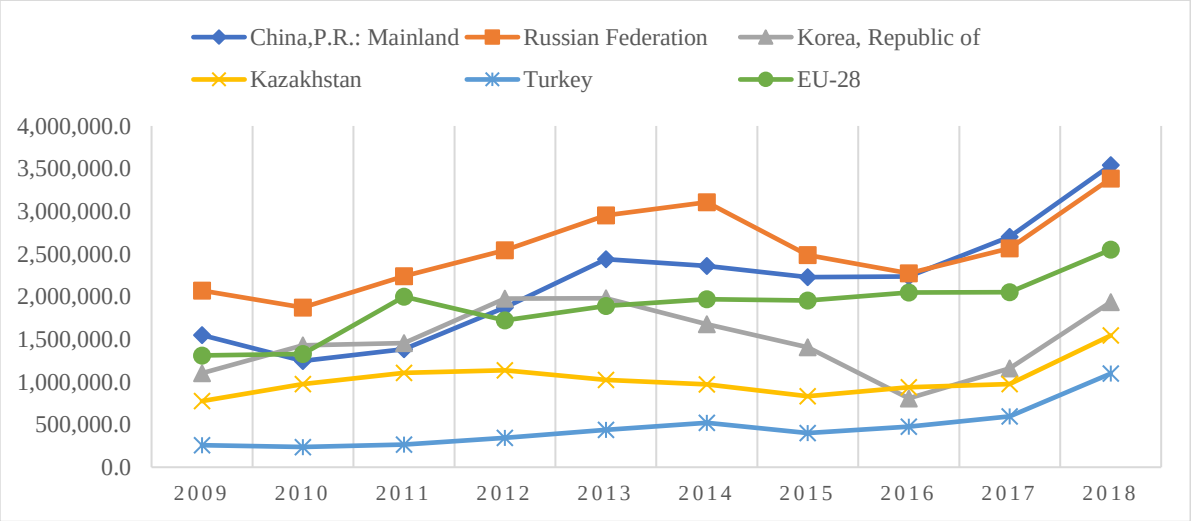
The research related to the low export share to the EU gives that there is still barriers and limitations on the exporting opportunities as the transporting costs are high and the active companies in Uzbekistan mainly are mainly used to focus on CIS countries.

Also, to display the numbers of the import share of Uzbekistan with the main trading partners, such as China, Turkey, the EU, and Korea has also its role on this practical part.

The main exporters to Uzbekistan are China and Russia, as per data in 2018, the number of imports was almost $3.5 billion USD and the EU, 28 member states on the third place with $2.5 billion USD. Besides, all countries had a moderate increase in the past 10 years, except China which achieved to double the share of import of Uzbekistan from around $1.5 billion USD to about $3.5 billion USD.

The EU has one of the high import shares of Uzbekistan with about 15% after China and Russia, which has 20.45% and 19.54% accordingly.

Chart 5. The import of Uzbekistan from the main trading partners (in thousands, USD)



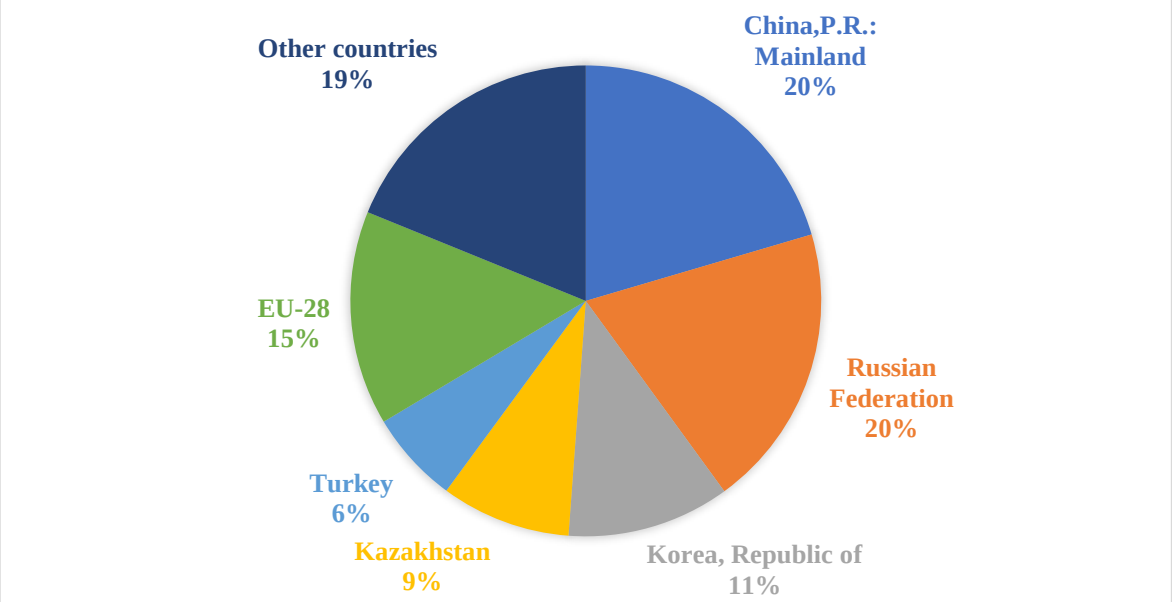
Source: Calculated by the author according to the data from The state committee of the Republic of Uzbekistan on Statistics (link) [Accessed: 25.03.2020]

Using the trend above, the compound average growth rate is implemented on the EU-28 export to Uzbekistan using the formula (2). The annual growth is increased by 6.88% every year from 2009 until 2018.

$$EU\ CAGR = \left(\frac{1310249.75}{2549124.78}\right)^{\left(\frac{1}{10}\right)} - 1 = 6.88\%$$

China, Russia, the EU and Korea, altogether play main role on the import of Uzbekistan with almost 66% in 2018.

Chart 6. Shares of the main trading partners in the importing of Uzbekistan, in 2018.



Source: Calculated by the author according to the data from The state committee of the Republic of Uzbekistan on Statistics (link) [Accessed: 25.03.2020]

In 2018, as mentioned in chapter 3.2.1 the total volume of Import was $24.2 billion USD and whereas, export had only $17.9 billion USD which gives the amount of foreign trade turnover with $42.1 billion USD, the highest number in the past two decades.

4.2.2 An analysis of changes in trade between Uzbekistan and the EU

From the first years of independence, the Republic of Uzbekistan attaches great importance to expanding foreign trade relations with countries of the world.

As a result of deep reforms in the liberalization of foreign economic relations of the Republic of Uzbekistan during the years of independence, geographical and commodity composition of foreign trade has undergone significant positive changes. Uzbekistan currently has bilateral trade with more than 80 countries. The country's foreign trade turnover increased from $ 0.8 billion USD in 1990 to $ 42.1 billion USD in 2018, a growth of 52.6 times.

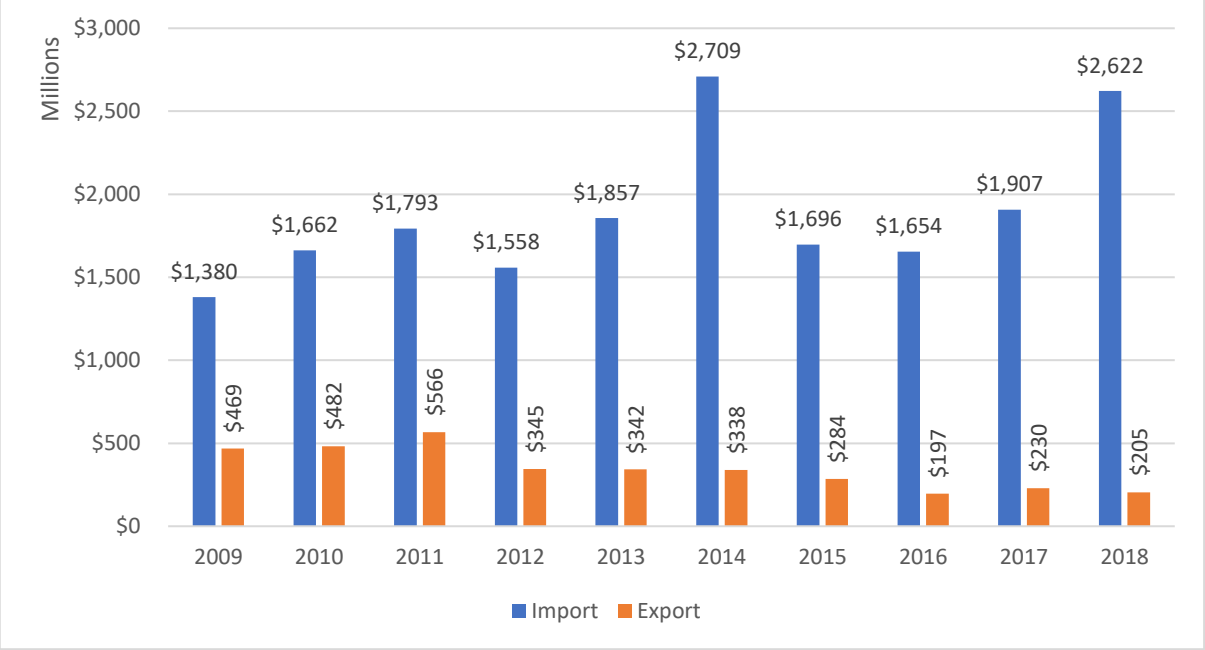
Recent years, since 2017, the new head of the Republic of Uzbekistan has been submitting a formal update request to the Partnership and Cooperation Agreement (PCA).

On July 16, 2018, the Council adopted a mandate to negotiate between the EU and Uzbekistan under the Enhanced Partnership and Cooperation Agreement (EPCA). This is the beginning of the new strong relationship of Uzbekistan and the EU on their common interests to strength it. In recent years, the new leader of Uzbekistan shows high Uzbek efforts on the reformation of the Uzbekistan to promote the region as a secure and positive for cooperation.

The cooperation of Uzbekistan with the EU member states has modest role in its development. However, the share of the EU on trade with Uzbekistan is not on the top.

Despite the fact that, the EU has more potential on the world trade as according to the statistics, the EU-28 is one of the top-3 ranking by the world share of export and the import.

Chart 7. The volume of foreign trade of Uzbekistan and the EU-28 in 10 years period (2009-2018)

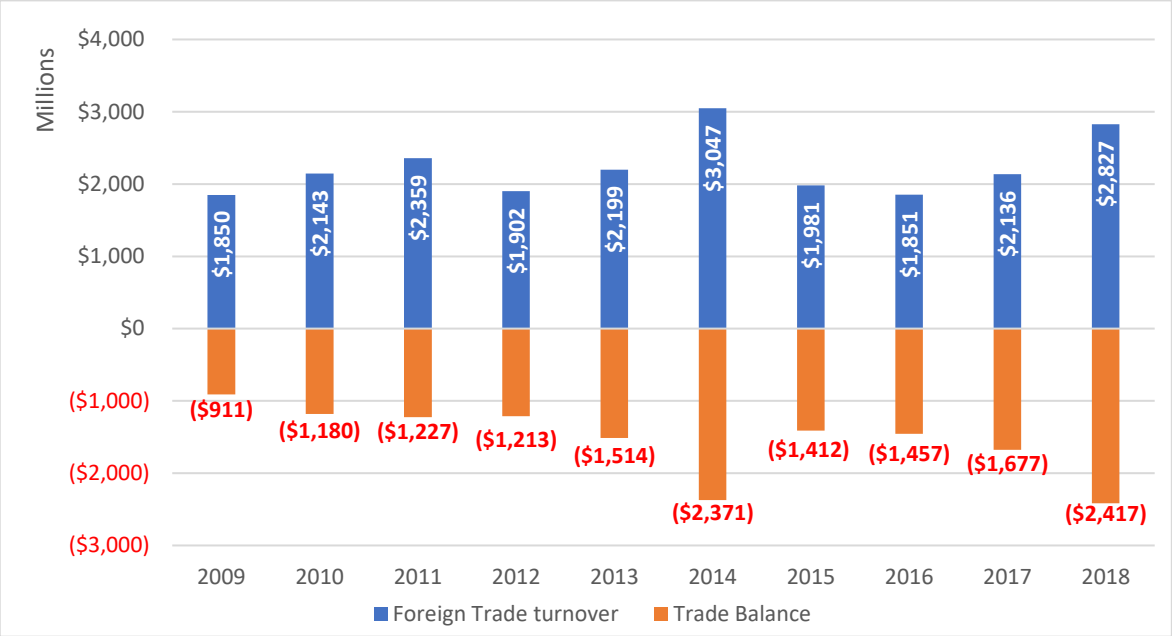


Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

Moreover, the numbers show in the below data may be seen as not a significant number for Uzbekistan as it has high portion of negative trading balance. The high number of negative trade balance observed in 2018 with about -$2.4 billion USD.

In 2009, as always, the share of export is much lower than importing of Uzbekistan, $500 million USD and about $1.4 billion USD, respectively. Additionally, by 2018 the volume of export decreased noticeably by about $300 million USD whereas, the growth of import (by $1.3 billion USD) is detected.

Chart 8. The volume of foreign trade turnover and balance of Uzbekistan to the EU-28 in 10 years period (2009-2018)



Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

The argument of these negative numbers is linked to variety of reason from the side of Uzbekistan.

Furthermore, an analysis of the Uzbek market shows that most of the companies providing services for the import of equipment and technologies from the EU countries have industry specifics. There is a lack of an integrated approach and coverage of a wide range of industries.

At the same time, there are almost no companies in Uzbekistan offering services for exporting products to EU countries, not counting government departments. There are several successful commercial companies, but they mainly cover the CIS market.

According to the results of preliminary negotiations with retail chains and trading companies importing EU countries, there are prospects in the following areas: agricultural products (dried fruits, fresh fruits, legumes and others), alcohol products (vodka, cognac,

wine and cognac concentrate), pharmaceuticals (semi-finished raw materials: mountain plants, snake venom, licorice root, etc.), mineral resources and textiles.[43]

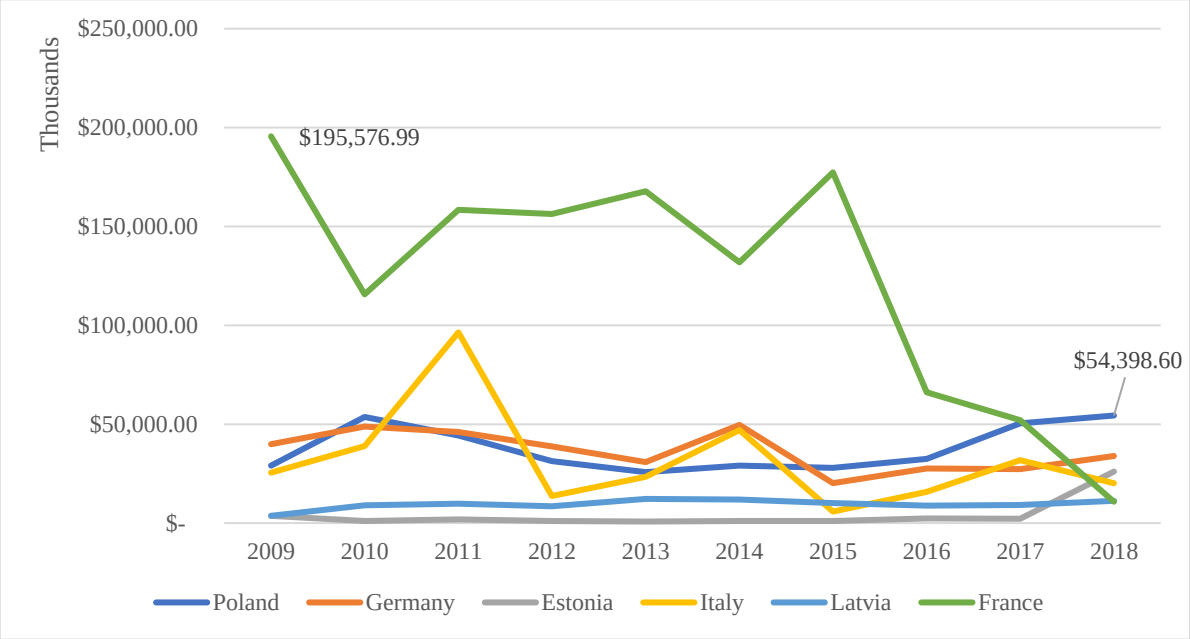
Data analysis of the export of Uzbekistan

The Analysis of the trade relation is going to be by selecting the members of the EU by the high share of the trade and it is divided into groups of the export and the import.

The given below countries on the chart has noticeable impact on the export of Uzbekistan and the analysis is going to take deeper on this site by reviewing the share of commodity exports by types of products.

It consists of countries which have the highest shares on export of Uzbekistan. According to the numbers from the data below, Poland has the highest amount with almost $54.5 million USD of the Uzbekistan's total export value in 2018. Also, it is noticeable that the share of France on the import from Uzbekistan, decreased significantly from about $200 million USD in 2009 to only $10 million USD in 2019.

Chart 9. The export value of Uzbekistan to the EU countries.



Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

Also, the share of each countries in the total number of exports is not that noticeable.

[43] Uzbekistan and the European Union: what to export, how to develop trade and attract investment. Spot, 2018. https://www.spot.uz/ru/2018/06/18/uzb-germany/ [Accessed: 25.03.2020]

However, the countries listed above gives the share of 77% of the EU import from Uzbekistan, where the rest share involves the other remaining countries. The percentage of Estonia increased by 10% in the last 2 years, $9 million USD to $20 million USD, respectively in 2017 and 2018. The remaining members of the EU has total volume of $3 million USD which gives 0.03% of the total export share of Uzbekistan[44] that is not significant to have the analysis of the foreign trade.

The significance share of France on the export of Uzbekistan was related to the commodity type of "Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes" and it almost made more than 90% of the export.

The portion of the main commodity so called "Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes" plunged from about $190 million USD (2009) to only $4 million USD in 2018

Table 5. Import of France from Uzbekistan by the commodity types in 2009.

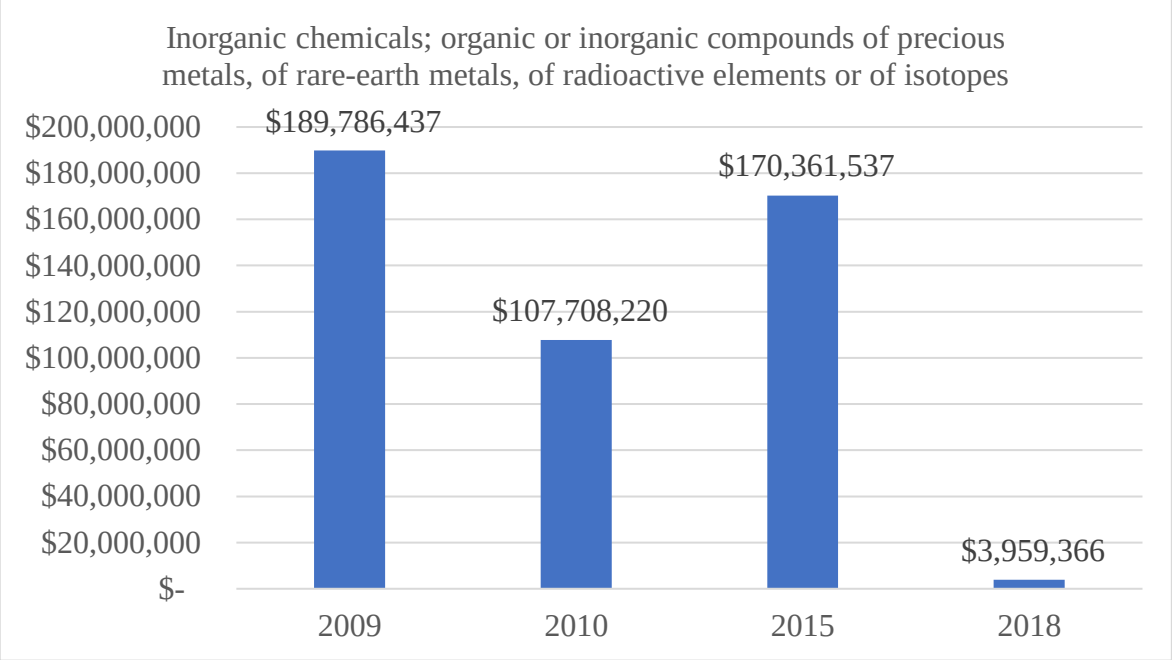
Product type	Trade Value (US$)
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	$ 189,786,437
Cotton	$ 3,993,152
Paper and paperboard; articles of paper pulp, of paper or of paperboard	$ 673,159

Source: Extracted from UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

The decrease of the "Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes" can be related to the France President's (Nicolas Sarkozy) announcement about the about the reducing of the aircraft deliverable nuclear weapon stockpile by a third and to bring the nuclear arsenal less than 300 warheads on 21 March, 2008.[45]

[44] Source: The state committee of the Republic of Uzbekistan on Statistics www.stat.uz [Accessed: 25.03.2020]
[45] Wikipedia, France and weapons of mass destruction (link) [Accessed: 06.04.2020]

Chart 10. The main commodity exported to France in 10 years range.



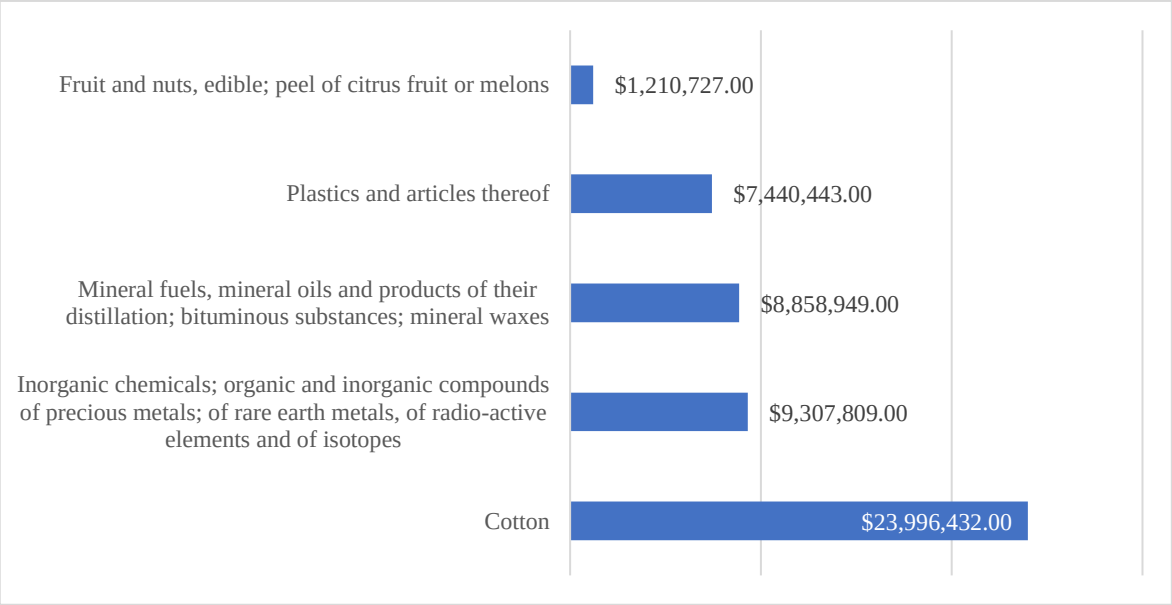
Source: Extracted from UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

In addition, Poland was the biggest importer among the EU countries with $54.3 million USD in 2018. In the past 10 years, the volume of import was almost doubled from $25 million in 2009.

According to the chart below, the most imported commodity in 2018 was cotton and cotton products with the almost $24 million USD. Also, the volume of the inorganic chemicals is on the second place with $9.3 million USD in 2018 and in comparison, to France the volume of the product is more than two times.

To be exact about the inorganic chemicals, Poland imported the commodity type “Sulphates; alums; peroxosulphates (per sulphates) with the amount of $8,887,329.00 USD in 2018.

Chart 11. The import share on the commodity types of Poland in 2018.



Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

Coming to the analysis of the commodity types or product groups, these are going to be grouped by the Harmonized Sections which is standard terminology for the commodity types. The tables below show top exported and import commodities by HS sections in 2018.

Table 6. Top 5 exported commodities of Uzbekistan to the EU-28 in 2018

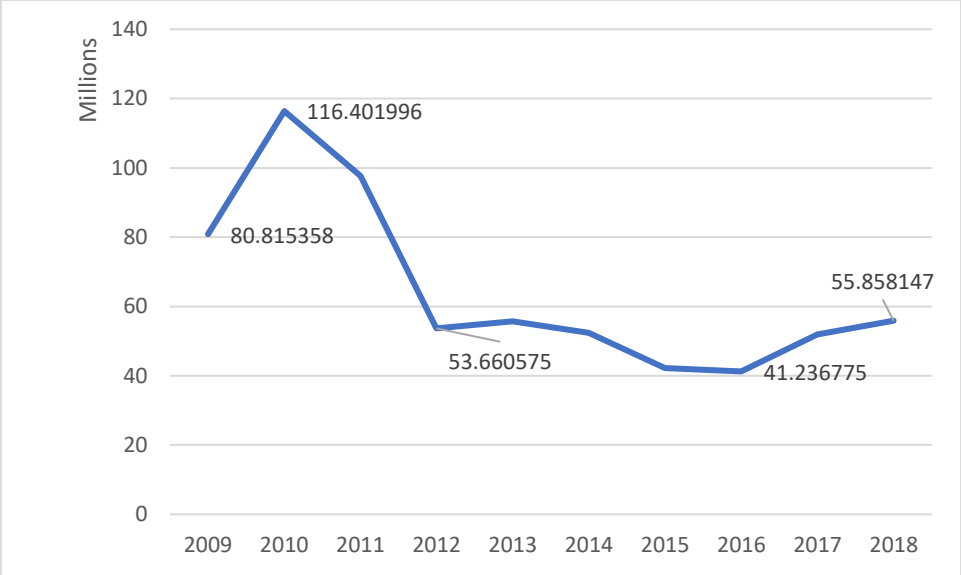
Section number	**Product**	**Value (in million USD)**	**% Total**
XI	Textiles and textile articles	$ 55.85	27.85%
II	Vegetable products	$ 29.34	14.64%
VII	Plastics, rubber and articles thereof	$ 28.02	13.97%
XV	Base metals and articles thereof	$ 26.61	13.27%
V	Mineral products	$ 25.17	12.55%

Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

The analysis of the trend of the import on the textile product shows the decreasing trend in the period of 10 years staring from 2009 till 2018. The highest share of export of Uzbekistan was on “Textile and textile articles” covering almost 30% of total export to the EU in 2018. In addition, other given product on the table above have 13-14% of share on the export with the number $27 million USD in average in 2018.

Using the formula (2), CAGR is found for the commodity type “Textile and textile articles” using the data below which shows the decreasing line from 2009 – 2018, $80.81 million USD and $55.85 million USD respectively.

Chart 12. The import of commodity type “Textile and textile articles” in the period of 2009-2018 (in million USD)



Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

$$CAGR\ of\ the\ chosen\ commodity\ type = \left(\frac{80.81}{55.85}\right)^{\frac{1}{10}} - 1 = \text{-}3{,}63\%$$

The calculation shows that, the decrease rate was 3.63% in the period of 10 years. The decrease in 2012 was sharp limitation of cotton export of Uzbekistan.

The Balassa Index (3) is used to reveal the competitive advantage of the selected 5 HS sections that Uzbekistan exported to the EU in 2018.

Table 7: RCA indices for the top 5 HS sections of Uzbekistan's export 2009-2018

HS		2009	2010	2011	2012	2013
Sections	**Products**	*	*	*	*	*
XI	**Textiles and textile articles**	3.02	4.50	3.20	3.16	3.13
II	**Vegetable products**	0.51	0.81	1.06	1.60	2.01
VII	**Plastics, rubber and articles thereof**	0.20	0.13	0.00	0.01	0.01
XV	**Base metals and articles thereof**	2.60	0.76	1.83	0.06	0.69
V	**Mineral products**	0.30	0.40	0.57	0.21	0.37
HS		**2014**	**2015**	**2016**	**2017**	**2018**
Sections	**Products**	*	*	*	*	*
XI	**Textiles and textile articles**	2.86	2.43	3.30	3.43	14.5
II	**Vegetable products**	3.17	3.24	4.36	3.54	17.4
VII	**Plastics, rubber and articles thereof**	0.01	0.03	4.03	7.51	4.14
XV	**Base metals and articles thereof**	0.90	0.23	0.69	1.08	6.62
V	**Mineral products**	0.35	0.14	0.28	0.22	0.81

Source: Calculated by the author using the formula (3), using the data from UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

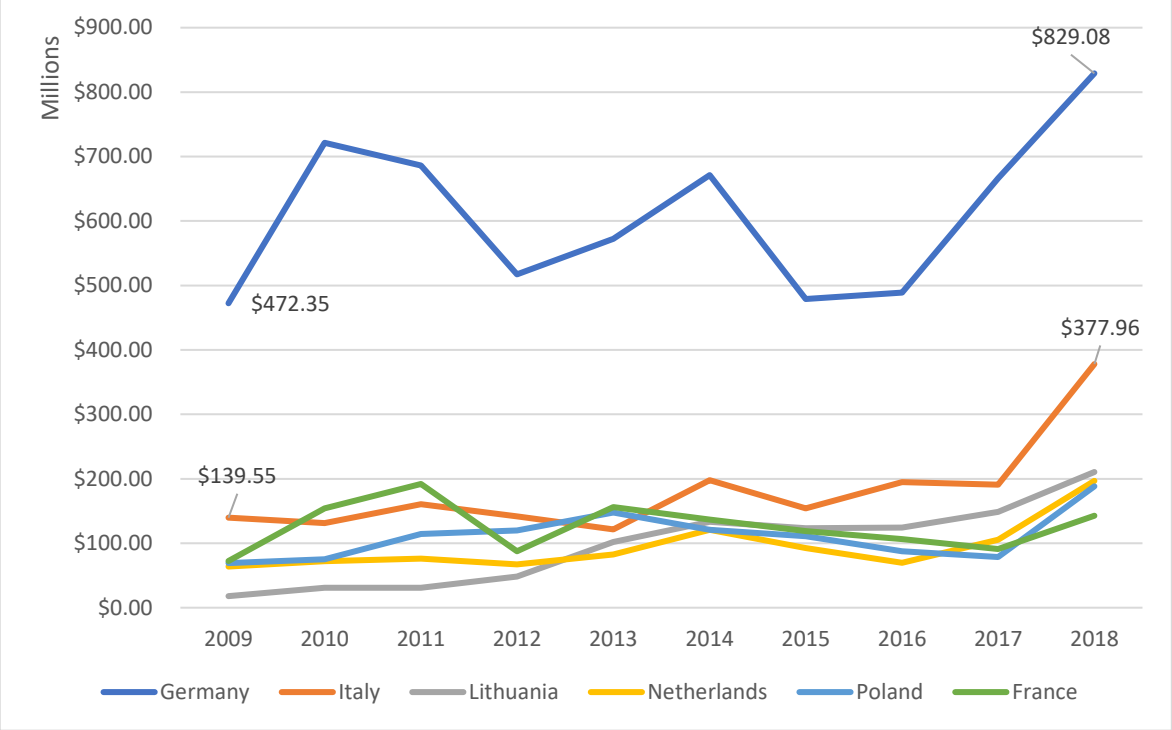
To highlight the main exported commodity types of Uzbekistan, it is visible that the Textiles and the textile articles export has grown from 3.02 to 14.5 and the Vegetable products' volume from 0.51 to 17.4 in the last 10 years.

Data analysis of the import of Uzbekistan.

The import share of Uzbekistan is significantly higher than the export volume. As mentioned above in the chapter 3.2.1, the number of the total import of Uzbekistan in 2018 was $24.7 billion USD whereas, the total amount of export was $17.9 billion USD. The share of import from the EU-28 countries is noticeably big for Uzbekistan and the EU's position is on the third position.

The figure below refers that Germany's of export share to Uzbekistan is noticeably high in comparison to other countries with the number of $829 million USD in 2018 which is increased by $350 million USD from year of 2009.

Chart 13. The import of Uzbekistan from the EU member states.



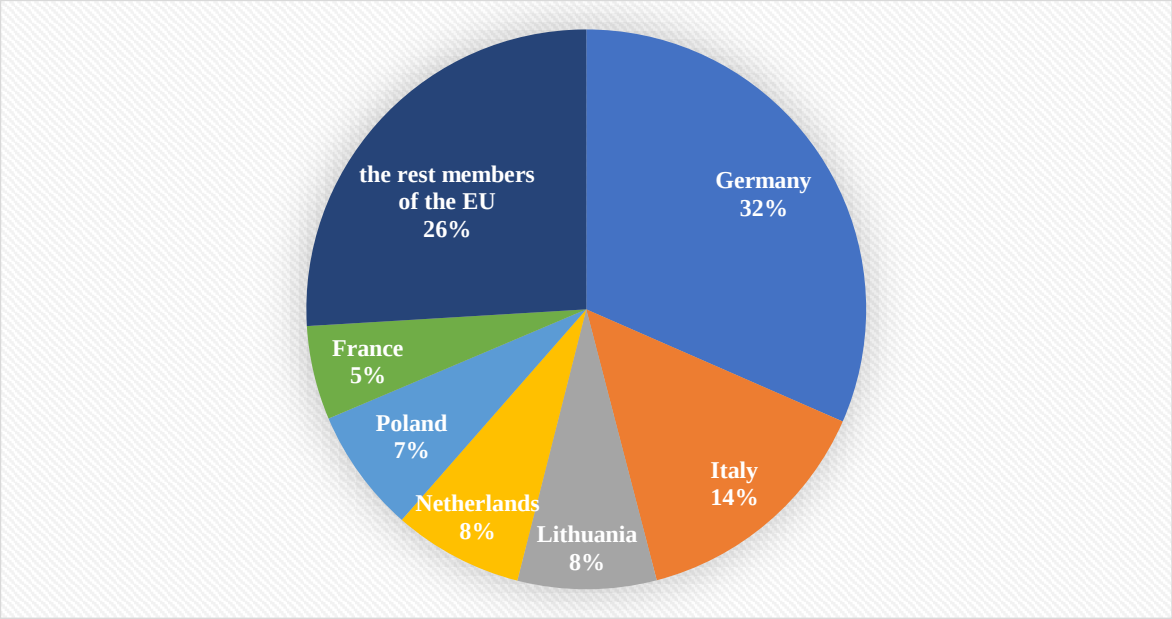
Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

It can be seen that; Italy had a significant increase from $139 million USD in 2009 to $378 million USD in 2018. Besides, Lithuania had an obvious growth, too. On another hand, the rest countries, like France, the Netherlands and Poland remained constant with some fluctuations in the past 10 years in between $50-200 million USD.

The data below records the share of import on each EU members on the total share of the EU, which exported the goods to Uzbekistan in high numbers. Almost, 74% of EU members shown below on the pie chart had exported to Uzbekistan in 2018 whereas, only 26% fits the rest 22 members that are not listed below.

The highest share, 32% is allocated to Germany in 2018 next, comes Italy with 14% and third place is for Lithuania, had about 8%.

Chart 14. The total share of import on Uzbekistan by the EU member states, 2018[46].



Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

Revealing the table about the top five HS commodities on import, Uzbekistan imported high amount of "Machinery and appliances" with the value of $1,143.67 million USD, that gives almost 41% of the total import. Moreover, on the second place is Products of the chemical or allied industries with the number of $433 million USD which shows about 16 % of total in 2018.

Table 8. Top 5 imported commodities of Uzbekistan from the EU in 2018.

Section number	Product	Value (in million USD)	% Total
XVI	Machinery and appliances	$ 1,143.67	40.77%
VI	Products of the chemical or allied industries	$ 433.38	15.45%
XVII	Transport equipment	$ 366.89	13.08%
XVIII	Optical and photographic instruments, etc	$ 101.72	3.63%
VII	Plastics and articles thereof; rubber and articles thereof	$ 79.21	2.82%

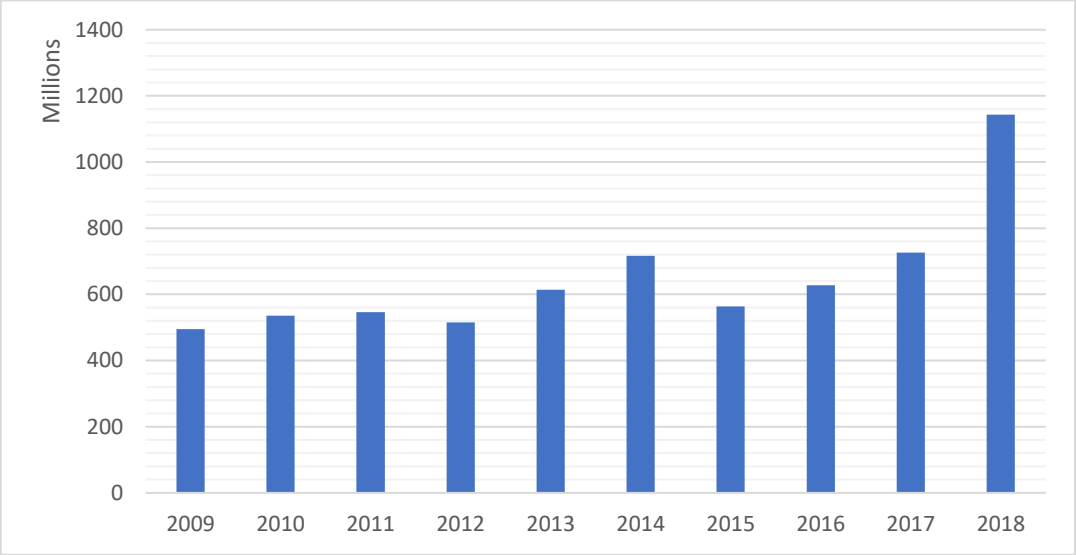
Source: UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

[46] Source: Calculated by the author according to UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

The product of Nuclear reactors, boilers, machinery and mechanical appliances which is a part of section XVI were imported in high numbers with more than 1 billion USD.

The commodity type "Machinery and appliances" was the highest one by the import volume in 2018 and the bar chart below shows the tendency of increasing.

Chart 15: The import of commodity type "Machinery and appliances" in period of 10 years.



Source: Derived from the UN Comtrade Database https://comtrade.un.org/data/ [Accessed 25.03.2020]

In the bar chart, the value of the commodity was increased and almost doubled in the period if 10 years, about $500 million USD in 2009 and $1.1 billion USD in 2018.

$$CAGR\ of\ the\ chosen\ commodity\ type = \left(\frac{\$494,997,435}{\$1,143,675,960}\right)^{\frac{1}{10}} - 1 = 8.74\%$$

It is noticeable that, the Compound Annual Growth Rate is 8.74% over the course of 10 years period. CAGR essentially smoothes out the progress of your trend over a period of time, providing a clearer picture of annual growth rate.

5 Results and Discussion

5.1 The outcome of the analysis examined using the mentioned methodological tools

In general, Uzbekistan is on the path to developing foreign trade, maintaining a democratic policy, a living wage, and so on. Also, Uzbekistan has the most diversified economy in the CA region. According to the State Statistics Committee, Uzbekistan accounts for 80% of mineral fertilizers, 94% of chemical fibers, 54% of natural gas, 59% of cement, 65% of raw cotton in the share of the total final product produced by Central Asian countries.

In addition, its total trade volume has increased almost four-times in the last 20 years however, in recent years the trade balance revealed a negative pattern which can influence the economy of Uzbekistan.

Moreover, accession to the WTO is very important for Uzbekistan, and Uzbekistan, which has joined the WTO and has an open, transparent and growing economy, is becoming more and more attractive for international business.

The European Union's Standard Generalized Scheme of Preferences (GSP) gives high advantage for Uzbekistan on exporting the commodity type of "Textile and textile products" and Uzbekistan utilizes such benefit around 90% every year.

It can be observed that the share of EU on the Uzbekistan's trade is obviously not the main trade partners. In comparison to another main trade partners, from the chart above, the main trading partner of Uzbekistan is Russia with almost 16% and, China with about 19% of total trade of Uzbekistan whereas, the EU has only 4% share in 2018. The reason for that can be the following: there are almost no companies in Uzbekistan offering services for exporting products to EU countries, not counting government departments but there are several successful commercial companies, but they mainly cover the CIS market.

Researches show that, the of imports of textile products had a downward trend over 10 years, from 2009 to 2018. The largest share of Uzbekistan's exports was Textiles and Textile Products, covering almost 30% of total exports. to the EU in 2018. Besides, according to the CAGR, the volume is decreasing by 3.63% every year.

On the other hand, the EU has one of the high import shares of Uzbekistan with about 15% after China and Russia, which has 20.45% and 19.54% accordingly. Also, the

compound average growth rate of the import is 6.88% that gives moderate increasing number every year.

Uzbekistan imported many "Machinery and equipment" in the amount of 1,143.67 million US dollars, which is almost 41% of total imports from the EU and the value of the commodity was increased and almost doubled in the period if 10 years.

According the Balassa index, the analysis shows that, Uzbekistan has a comparative advantage on exporting “Textile and textile products” to the EU and it gives the numbers are 4.34 in average that is more than one. Moreover, the Vegetable products’ volume significantly increased from 0.51 to 17.4 in the last 10 years.

5.2 Prospects and opportunities for the development of trade and economic relations between Uzbekistan and the EU

Coherently, Uzbekistan, although continues to maintain a high enough interest in economic cooperation with the European Union, it tends to focus more on its traditional partners - Russia and Kazakhstan, and in recent years - Asian countries, mainly - China and South Korea.

The importance of Russia and Kazakhstan for Uzbekistan is largely due to the fact that these countries traditionally act as large and geographically close markets for Uzbek products (for example, cars, textiles, vegetables / fruits), sources of a number of food products and raw materials, as well as significant financial income from labor migration. Asian countries are important for Uzbekistan as more accessible (compared to the same European countries) sources of investment, loans, industrial goods and technologies. In addition, states such as China and South Korea are more successful in implementing various projects that meet Uzbek national interests. It seems that the predominant orientation of Uzbekistan towards the development of economic cooperation with Asian countries and Russia is also connected with the fact that Tashkent relies on long-term forms of cooperation in relations with foreign partners.

Largely for this reason, a rather specific investment climate has formed in the Republic of Uzbekistan, which can be arranged only by those states and their business structures that are ready to implement projects that are urgently needed in terms of the urgent needs of the Uzbek economy. In this case, the government of the Republic of Uzbekistan provides certain

privileges / references. However, such projects in Uzbekistan are mainly carried out by Russian and Asian (mainly Chinese and Korean) companies. The specificity of the investment climate in the Republic of Uzbekistan is also related to the closed market, the inconvertibility of the national currency and the monopoly of the state on all any valuable economic assets. Access to these assets of foreign companies is possible only on government terms, which, as a rule, is disadvantageous to many external partners.

As a result, from the point of view of the economy, there is a weakness in European-Uzbek cooperation in general and Uzbekistan's dependence on the European Union in particular. The main disadvantage that affects the trade with the EU is the location of Uzbekistan as it is double landlocked country there is a lot of limitation on the transporting as well as its cost.

However, the Republic of Uzbekistan is still a young, developing and politically reforming country. It forms the basis of the ancient Great Silk Road trade route, and its location requires special attention from China's new project called "One Belt, One Road". The goal is to connect Uzbekistan with Kyrgyzstan by railways to Iran, Turkey and Europe. This project offers huge opportunities to strengthen foreign trade, the industrial sector and the country's economy in general. It opens a wide range of potential capacity of the trade, indeed.

6 Conclusion

While Uzbekistan retains a fairly high interest in economic cooperation with the European Union, it appears to concentrate more on its traditional partners-Russia and Kazakhstan, and in recent years-mainly Asian countries-China and South Korea.

It can be noted that the EU's share of trade in Uzbekistan is clearly not the principal trading partners. Compared to other major trading partners, Uzbekistan's largest trading partner is Russia with about 16 percent and China with about 19 percent of Uzbekistan's overall trade, while the EU has just 4 percent of Uzbekistan's share in 2018.

Research shows that, from 2009 to 2018, the rate of textile imports had a downward trend over 10 years. Textiles and Textile Goods were the largest share of Uzbekistan's exports, representing approximately 30 per cent of total exports. To the EU as of 2018. In addition, the amount is rising by 3.63 percent per year, according to the CAGR. From the calculations it can be forecasted for further years.

From an economic point of view, there is a weakness in the overall European-Uzbek cooperation and Uzbekistan's reliance on the EU in particular. The key drawback affecting trade with the EU is Uzbekistan's position as it is a double landlocked country with a lot of conveying limitations as well as its costs.

The Republic of Uzbekistan, however, remains a young, developing, and politically reforming nation. It forms the basis for the ancient trading route of the Great Silk Road, and its position needs special attention from China's new project "One Belt, One Lane." The goal is to link Uzbekistan and Kyrgyzstan to Iran, Turkey and Europe by rail.

This project provides enormous opportunities to improve international trade, the manufacturing sector and the economy of the country at large. Indeed, it opens up a wide range of future trading power.

7 References

BOOKS AND ARTICLES

1. AVDOKUSHIN E., *Международные экономические отношения* (International Economic Relations*) (textbook).* – Юрист (Lawyer), 2003. ISBN: 5-7975-0148-1, 5-98118-027-0
2. AVDOKUSHIN E., *Международные экономические отношения* (International Economic Relations*) (textbook).* – Marketing, 1999. ISBN: 5-7856-0076-5
3. BALASSA, B. Trade Liberalization and Revealed Comparative Advantage. The Manchester School of Economic and Social Studies, 1965, 99-123.
4. CERNET L., Trade for you too: Why is trade more important than you think? Issue 1, May 2019. ISSN: 2034-9815
5. CHRISTIAN G., NERI S., IAN S., RICHARD S., *Classical Political Economy and Modern Theory*, New York, 2012. ISBN: 978-0-415-67981-7
6. CHRISTOPHER B. ROSENBERG & MAARTEN DE ZEEUW, "Welfare Effects of Uzbekistan's Foreign Exchange Regime," IMF Staff Papers 48, no. 1 (2001): 160–78.
7. COISSARD S. Paul Krugman: Theory in Service of Economic Policy 2009 ISBN: 9782352400387
8. FROLOVA E., LUKYANOVA S., -- *Мировая экономика и международные экономические отношения: современное состояние, проблемы и основные тенденции развития* (The world economy and international economic relations: current status, problems and main development trends) 2016, Ekaterinburg. ISBN 978-5-321-02500-011.
9. IKRAMOV M., ABDULLAEV A., International Journal of Humanities and Natural Sciences, Vol 1-2. DOI: 10.24411 / 2500-1000-2018-10474. p-49.
10. KUKOL S. State and prospects of cooperation between Uzbekistan and the European Union, *Sostoyaniye i perspektivy sotrudnichestva Uzbekistana i Yevrosoyuza*, 2018, p-109. UDC 327 (575.1)
11. MURRAY C. International Trade with an Exhaustible Resource: A Theorem of Rybczynski Type, JSTOR 1979 DOI: 10.2307/2526265
12. MORALES J., Classical Free Trade: A Policy Towards Economic Growth and Development. (*Doctoral thesis),* Vienna University of Economics and Business, 2010.

13. NAZAROVA G., IMINOV M., KHALILOV H., KHAMIDOV B. *World economy and international economic relations. (Course book).* –Tashkent, TSEU, 2011. -276 p.
14. NORMATOV J., *Uzbekistan's Long Way to the World Trade Organization.* L'Europe en Formation. France, 2018. ISBN 978-2-8550-5206-9
15. NOSOV S., "*Экономическая теория. Учебник для вузов*" *(*Economic theory. Textbook for universities*),* Publisher: Vlados, 2005. ISBN: 978-5-691-00225-0
16. POLAK J. The Foreign Trade Multiplier American Economic Association, 1947, https://www.jstor.org/stable/1812859 [Accessed 02.03.2020]
17. POMFRET, R. *The Uzbek Model of Economic Development, 1991-99.* The Economics of Transition. 8. 2000, 733-748. 10.1111/1468-0351.00062.
18. RUE L., General Secretariat of the Council, The European Union and Central Asia: the new partnership in action. European Communities, 2009, p-7. ISBN 978-92-824-2467-4
19. SALOMOV J., *Mirziyoyev's Uzbekistan: towards openness and real democracy?* Berlin, 2019. ISBN 2627-7204
20. SATTORKULOV T., YANGIBOEV F. *Structural shifts in the economy of Uzbekistan* // Young scientist. - 2016. - No. 11. - S. 962-964.
21. STIGLER J. The Economies of Scale, The Journal of Law and Economics 1, no. (Oct., 1958): 54-71.
22. VÍCTOR R., UNILATERAL ACTS OF STATES [Agenda item 5], (*DOCUMENT A/CN.4/542*1*), Original: English/French/Spanish, 22 April 2004.
23. YULDASHEV G., ZOKIROVA N., KHODZHAEVA M. -- The Uzbek Model as a Factor in the Development of the National Economy / Tashkent, 2016, p. 22-39.
24. YUNUSOV, K. Partnership and Cooperation Agreements of the European Union with Central Asian Countries (*journal article*). Studii Europene, 1, 9-18. 2014.
25. ZIYADULLAEV U. ZIYAEVA M. The development of international trade and economic relations of the Republic of Uzbekistan. Russian Foreign Economic Bulletin, (7), 2018. UDC 339.5. p-63.

INTERNET SOURCES

26. Anhor.uz, Uzbekistan and the EU will create a council on trade and investment, 2017. URL: https://anhor.uz/news/uzbekistan-es-sozdadut-sovet-po-torgovle-investiciyam [Accessed 20.02.2020].

27. Groupe Société Générale, https://import-export.societegenerale.fr/en/country/uzbekistan/france-in-country-trade# [Accessed 05.03.2020]
28. Gazeta.uz "Textile Protocol" between Uzbekistan and the EU came into force, 2017. URL: https://www.gazeta.uz/ru/2017/07/01/textile-protocol/ [Accessed: 20/02/2020]
29. Ministry of Finance of Uzbekistan https://mfa.uz/en/cooperation/international/381/ [Accessed 20/02/2020]
30. Report of the President of the Republic of Uzbekistan Shavkat Mirziyoyev on the results of 2016 and the most important priority areas of the economic program for 2017. Source: http://fundamental-economic.uz/article
31. Sputnik news "Trade turnover between Uzbekistan and Russia is restored" https://sptnkne.ws/tARK, 2016. [Accessed: 25.03.2020]
32. The state committee of the Republic of Uzbekistan on Statistics www.stat.uz [Accessed: 25.03.2020]
33. Uzbekistan and the European Union: what to export, how to develop trade and attract investment. Spot, 2018. https://www.spot.uz/ru/2018/06/18/uzb-germany/ [Accessed: 25.03.2020]
34. Wikipedia "Landlocked country" edited 27.03.2020 https://en.wikipedia.org/wiki/Landlocked_country [Accessed on 27.03.2020]
35. Wikipedia source. https://en.wikipedia.org/wiki/Harmonized_System [Accessed: 10.03.2020]
36. https://nbn-resolving.org/urn:nbn:de:0168-ssoar-418806
37. WTO Accession status: Uzbekistan." World Trade Organization, 2018, https://www.wto.org/english/thewto_e/acc_e/a1_ouzbekistan_e.htm

8 Appendix

Macroeconomic indicators of Uzbekistan between 2000 and 2019

Macroeconomic indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross domestic product[1]	3,255.6	4,925.3	7,450.2	9,844.0	12,261.0	15,923.4	21,124.9	28,190.0	38,969.8	49,375.6	74,042.0	96,949.6	120,242.0	144,548.3	177,153.9	210,183.1	242,495.5	302,536.8	406,648.5	511,838.1
The deflator index GDP	147.3	145.2	145.5	126.8	115.9	121.4	123.5	121.9	126.8	117.3	118.9	121.5	115.5	111.7	114.3	110.4	108.7	119.4	127.5	119.2
Inflation rate (growth) *to December of previous year,%*	28.2	26.6	21.6	3.8	3.7	7.8	6.8	6.8	7.8	7.4	7.3	7.6	7.0	6.8	6.1	5.6	5.7	14.4	14.3	15.2
Industrial products	1,888.9	2,830.8	4,494.0	6,127.5	8,123.2	11,028.6	14,640.3	18,447.6	23,848.0	28,387.3	38,119.0	47,587.1	57,552.5	70,634.8	84,011.6	97,598.2	111,869.4	148,816.0	235,340.7	331,006.6
Consumer goods	833.2	1,221.4	1,670.4	1,923.1	2,247.8	2,771.0	3,865.0	5,089.9	6,930.4	8,291.6	13,683.8	18,336.4	21,527.8	28,614.1	33,868.5	42,085.5	48,253.8	59,690.4	83,512.6	111,494.3
Agriculture, forestry and fisheries[2]	1,387.2	2,104.8	3,255.3	4,083.3	4,615.8	5,978.3	7,538.8	9,304.9	11,310.7	13,628.6	32,746.5	48,068.3	58,549.3	69,391.3	85,101.7	103,302.0	119,726.7	154,369.4	195,095.6	224,288.8
Fixed investment	744.5	1,320.9	1,526.6	1,978.1	2,629.0	3,165.2	4,041.0	5,903.5	9,555.9	12,531.9	16,463.7	19,500.0	24,455.3	30,490.1	37,646.2	44,810.4	51,232.0	72,155.2	124,231.3	189,924.3
Construction works	388.4	571.0	731.0	831.1	1,121.9	1,453.1	1,938.4	2,733.5	3,575.9	7,067.4	8,245.8	9,504.8	11,753.9	15,219.3	20,060.4	25,423.1	29,413.9	34,698.0	51,129.3	68,854.4
Retail turnover	1,787.5	2,699.9	3,786.3	4,289.7	4,787.5	5,577.4	7,453.8	9,574.6	12,682.3	16,874.6	21,872.8	28,539.0	36,946.4	46,863.0	58,136.6	71,184.1	88,071.6	105,229.9	133,195.2	164,184.2
Services, total[3]	x	x	x	x	x	x	x	x	x	x	27,126.8	35,196.3	44,386.0	55,872.8	68,032.1	78,530.4	97,050.0	118,811.0	150,889.8	190,356.0
Foreign trade turnover, (mln. US dollars)	6,212.1	6,307.3	5,700.4	6,689.2	8,669.0	9,500.1	11,171.4	15,719.6	21,197.3	21,209.6	22,199.2	26,365.9	26,416.1	28,269.6	27,530.1	24,924.3	24,232.2	26,566.1	33,429.9	42,177.8
Export	3,264.7	3,170.4	2,988.4	3,725.0	4,853.0	5,408.8	6,389.8	8,991.5	11,493.3	11,771.3	13,023.4	15,021.3	13,599.6	14,322.7	13,545.7	12,507.6	12,094.6	12,553.7	13,990.7	17,901.7
Import	2,947.4	3,136.9	2,712.0	2,964.2	3,816.0	4,091.3	4,781.6	6,728.1	9,704.0	9,438.3	9,175.8	11,344.6	12,816.5	13,946.9	13,984.3	12,416.6	12,137.6	14,012.4	19,439.2	24,276.1
Balance	317.3	33.5	276.4	760.8	1,037.0	1,317.5	1,608.2	2,263.4	1,789.3	2,333.0	3,847.6	3,676.7	783.1	375.8	-438.6	91.0	-43.0	-1,458.7	-5,448.5	-6,374.4

[1] *The data for 2010-2019 are given considering the updated (revised) data.*
[2] *The data for 2000-2009 are given by classification OKONH. The data for 2010-2018 are given considering the updated (revised) data*
[3] *The data updated since 2010 due to a change in the methodology for calculating certain types of activities*

Foreign trade of the Republic of Uzbekistan

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Million. Doll.																			
Foreign trade turnover	6212	6307	5700	6689	8669	9500	11171	15720	21197	21210	22199	26366	26416	28270	27530	24924	24232	26566	33430
export	3265	3170	2988	3725	4853	5409	6389.8	8991.5	11493	11771	13023	15021	13600	14323	13546	12508	12095	12554	13991
import	2947	3137	2712	2964	3816	4091	4781.6	6728.1	9704	9438.3	9175.8	11345	12817	13947	13984	12417	12138	14012	19439
trade balance	317.3	33.5	276.4	760.8	1037	1037	1317.5	1608.2	1789.3	2333	3847.6	3676.7	783.1	375.8	-438.6	91	-43	-1458.7	-5448.5
including:																			
with CIS countries	2298	2259	1824	2105	3003	3403	4746.1	7679.1	8659.5	8010.4	9369.2	11346	12732	11922	12093	9548.9	8388.1	9084.6	12144
export	1172	1091	1091	969.2	1528	1723	2685.5	4273	3926.6	3921.3	5647.7	6720.1	7703.4	6644.7	6772.5	5230.3	4338.3	4080.1	5003.1
import	1126	1168	1000	1136	1474	1681	2060.6	3406.1	4732.9	4089.1	3721.5	4625.6	5028.4	5276.8	5320.1	4318.6	4049.8	5004.5	7141.3
trade balance	46.6	-77.5	-176.8	-167	54.2	41.8	624.9	866.9	-806.3	-167.8	1926.2	2094.5	2675	1367.9	1452.4	911.7	288.5	-924.4	-2138.2
with other countries	3914	4049	3877	4584	5666	6097	6425.3	8040.5	12538	13199	12830	15020	13684	16348	15437	15375	15844	17482	21286
export	2093	2080	2165	2756	3325	3686	3704.3	4718.5	7566.7	7850	7375.7	8301.2	5896.2	7678	6773.2	7277.3	7756.3	8473.6	8987.6
import	1822	1969	1712	1828	2342	2411	2721	3322	4971.1	5349.2	4545.3	6719	7788.1	8670.1	8664.2	8098	8087.8	9007.9	12298
trade balance	270.7	111	453.2	927.8	982.8	1276	983.3	1396.5	2595.6	2500.8	1921.4	1582.2	-1891.9	-992.1	-1891	-820.7	-331.5	-534.3	-3310.3
As a percentage of the previous year																			
Foreign trade turnover	97.9	101.5	90.4	117.3	129.6	109.6	117.6	140.7	134.8	101	104.7	118.8	100.2	107	97.4	90.5	97.2	109.6	125.8
export	100.9	97.1	94.3	124.6	130.3	111.5	118.1	140.7	127.8	102.4	110.6	115.3	90.5	105.3	94.6	92.3	96.7	103.8	111.4
import	94.8	106.4	86.5	109.3	128.7	107.2	116.9	140.7	144.2	97.3	97.2	123.6	113	108.8	100.3	88.8	97.8	115.4	138.7

including:																			
with CIS countries	128.2	98.3	80.7	115.4	142.6	113.3	139.5	161.8	112.8	92.5	117	121.1	112.2	93.6	101.4	79	87.8	108.3	133.7
export	119.3	93	75.5	117.7	157.7	112.7	155.9	159.1	91.9	99.9	144	119	114.6	86.3	101.9	77.2	82.9	94.0	122.6
import	139	103.8	85.6	113.6	129.7	114	122.6	165.3	139	86.4	91	124.3	108.7	104.9	100.8	81.2	93.8	123.6	142.7
with other countries	86	103.4	95.8	118.2	123.6	107.6	105.4	125.1	155.9	105.3	97.2	117.1	91.1	119.5	94.4	99.6	103	110.3	121.8
export	92.9	99.4	104.1	127.3	120.6	110.9	100.5	127.4	160.4	103.7	94	112.5	71	130.2	88.2	107.4	106.6	109.2	106.1
import	79.2	108.1	86.9	106.8	128.1	102.9	112.9	122.1	149.6	107.6	102	123.2	115.9	111.3	99.9	93.5	99.9	111.4	136.5

Structure of export and import of Uzbekistan (in percentage to the total volume)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Foreign trade turnover	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
export	52.6	50.3	52.4	55.7	56	56.9	57.2	57.2	54.2	55.5	58.7	57	51.5	50.7	49.2	50.2	49.9	47.3	41.9
import	47.4	49.7	47.6	44.3	44	43.1	42.8	42.8	45.8	44.5	41.3	43	48.5	49.3	50.8	49.8	50.1	52.7	58.1
Structure of exports	*100*	*100*	*100*	*100*	*100*	100	100	100	100	100	100	100	100	100	100	100	100	100	100
including:																			
Cotton fibre	27.5	22	22.4	19.8	18.1	19.1	17.2	12.5	9.3	8.6	12.1	9	9.3	8.1	7.7	5.9	5.3	3.8	1.6
Foodstuffs	5.4	3.9	3.5	2.7	3.8	3.8	7.9	8.5	4.5	6	9.7	13.3	6.4	10.3	12.4	10.5	5.7		
chemical products and products thereof	2.9	2.7	3	3.1	4.7	5.3	5.6	6.8	5.6	5	5.1	5.6	5.6	4.2	4.7	4.9	6.9	7.0	6.5
energy carriers and petroleum products	10.3	10.2	8.1	9.8	12.4	11.5	13.1	20.2	24.7	34.2	22.8	18.5	34.6	24	23	21.4	14.2	12.8	19.1
ferrous and non-ferrous metals	6.6	7	6.4	6.4	8.6	9.2	12.9	11.5	7	5	6.9	7.4	7.8	6.7	7.2	6.6	5.9	7.3	8.4
cars and equipment	3.4	3.9	3.9	5.9	7.4	8.4	10.1	10.4	7.6	2.9	5.5	6.6	6.5	5.7	4	1.3	1.8	2.8	1.5
services	13.7	14.6	15.9	14.4	11.8	12.2	12.1	10.7	10.4	8.8	10.2	11.8	17.3	20.6	22.4	24.5	25.8	19.7	21.9
others	30.2	35.7	36.8	37.9	33.2	30.5	21.1	19.4	30.9	29.5	27.7	27.8	12.5	20.4	18.6	24.9	34.4	39.6	33.2

Structure of Imports	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
including:																			
Foodstuffs	12.3	10.8	12.5	9.9	6.8	7	7.7	7.2	8.3	9	10.5	11.5	10.9	9.6	10.8	12.8	11.9	9.1	8.1
chemical products and products thereof	13.6	12.7	15.1	12.8	12.5	13.6	13.8	13.1	11.6	11.1	13.8	12.5	13.7	14.1	15.9	17	17.5	15.3	13
energy carriers and petroleum products	3.8	1.9	1.3	2.7	2.1	2.5	4.2	3.5	4.6	3.5	7.1	8.5	6.6	7.2	6.2	5.8	4.8	5.3	4.5
ferrous and non-ferrous metals	8.6	10.9	8	7.9	10.3	10.3	6.7	7.5	7.7	6.3	8.1	7.6	7.2	7.8	8	7.4	7.6	9.1	9.1
cars and equipment	35.4	41.2	41.4	44.4	46	43.3	47	49.6	52.4	56.5	44	44	45.9	43.7	39.5	40.5	41.3	36.1	43
services	8.5	10.3	10.6	10.2	11.1	10.4	8.4	5.8	4.4	4.4	5.3	5	5.8	6.8	8	7.7	6.7	14.1	10.9
others	17.8	12.2	11.1	12.1	11.2	12.9	12.2	13.3	11	9.2	11.2	10.9	9.9	10.8	11.6	8.8	10.2	11	11.2

EXPORT OF THE EU TO UZBEKISTAN by the top commodity sections		
Section XVI	**Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles**	**Trade Value (US$)**
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	$ 1,019,420,078.00
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles	$ 124,255,882.00
	Total	$ 1,143,675,960.00

Section VI	**Products of the chemical or allied industries**	**Trade Value (US$)**
28	Inorganic chemicals; organic and inorganic compounds of precious metals; of rare earth metals, of radio-active elements and of isotopes	$ 2,434,474.00
29	Organic chemicals	$ 15,173,335.00
30	Pharmaceutical products	$ 263,375,213.00
31	Fertilizers	$ 2,079,966.00
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints, varnishes; putty, other mastics; inks	$ 29,232,458.00
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	$ 58,650,628.00
34	Soap, organic surface-active agents; washing, lubricating, polishing or scouring preparations; artificial or prepared waxes, candles and similar articles, modelling pastes, dental waxes and dental preparations with a basis of plaster	$ 10,617,788.00
35	Albuminoidal substances; modified starches; glues; enzymes	$ 9,071,928.00
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	$ 3,850.00
37	Photographic or cinematographic goods	$ 2,050,763.00

38	Chemical products n.e.c.	$ 40,699,104.00
	Total	$ 433,389,507.00

Section XVII	Vehicles, aircraft, vessels and associated transport equipment	Trade Value (US$)
86	Railway, tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds	$ 13,214,462.00
87	Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	$ 257,380,714.00
88	Aircraft, spacecraft and parts thereof	$ 91,313,440.00
89	Ships, boats and floating structures	$ 4,982,318.00
	Total	$ 366,890,934.00

Section XVIII	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	Trade Value (US$)
90	Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories	$ 100,230,768.00
91	Clocks and watches and parts thereof	$ 791,957.00
92	Musical instruments; parts and accessories of such articles	$ 704,530.00
	Total	$ 101,727,255.00

Commodity Code	Plastics and articles thereof; rubber and articles thereof	Trade Value (US$)
39	Plastics and articles thereof	$ 56,736,446.00

40	Rubber and articles thereof	$ 22,477,817.00
	Total	$ 79,214,263.00