

Analysis of the Participation of the Republic of Uzbekistan in the Processes of International Economic Integration

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Abstract: This article examines the issues of new Uzbekistan's participation in international financial processes. In the main part of the article, the export and import issues, the main indicators of foreign economic activity are discussed. In addition, statistical indicators are analyzed by dividing them into latest periods.

Key words: International finance, integration, globalization, export, import and etc.

Introduction

In the era of rapid globalization, transactions in financial markets are becoming more active and a decisive factor of economic development. Global financial markets are growing intensively, and the international circulation of financial instruments reaches trillions of US dollars. According to the assessment of the International Monetary Fund, the volume of world financial assets has increased more than 15-20 times since 1980. In particular, according to the annual report of McKinsey's Global Banking Annual Review¹, the total capitalization of the world market reached 16 trillion dollars in 2021, and by May 2022, this indicator decreased to 14.5 trillion dollars. In the years before the decline, the COVID-19 pandemic was one of the main causes of the global economic recession, while the Russian invasion of Ukraine in February 2022 was another factor in the decrease of stock markets around the world. It should be noted that global financial markets are very important for financing the economy and supporting economic growth, as they allow for the sharing of risks and the efficient transfer of capital between parties. The process of globalization is the basis for the growth of world trade, the specialization and expansion of production, the international flow of capital, the development of the international movement of services and products, and the formation of international finance.

The Republic of Uzbekistan is also among the developing countries that are currently undergoing the process of specialization in the international financial system. It is no exaggeration to say that in recent years the emission of euro bonds to the London Stock Exchange, the participation of commercial banks in international stock exchange trading, the reconsideration of the issues of further strengthening of relations with international financial institutions are vital steps taken to strengthen the integration processes.

Main part

Presidential Decree №3857 dated July 16, 2018 "On measures to improve the efficiency of the preparation and implementation of projects with the participation of international financial institutions and foreign government financial organizations" and in order to strengthen the integration of large companies and organizations operating in the Republic of Uzbekistan into the international financial system, Presidential Decree №4611 of February 24, 2020, "On additional measures for transition to international standards of financial reporting" are adopted.

¹ <https://www.mckinsey.com/industriyes/financial-services/our-insights/global-banking-annual-reviyew>

Furthermore, the decree of the President of the Republic of Uzbekistan dated January 29, 2022 №60 "On the new development strategy of Uzbekistan for 2022-2026"² also referred to the World Trade Organization (WTO) membership and deepening of the integration processes with the Eurasian Economic Union (EEU) are defined as one of the main goals. According to it, negotiations with WTO member states, capacity building in the field of multilateral trade system, impact of WTO membership on metallurgical, textile, food, automobile manufacturing industries field, the impact on the national economy, further improvement of the national policy on issues of technical regulation and standardization for effective access to the market of the Republic of Uzbekistan, based on the experience of the Union, and others are considered the main tasks facing our country. The strategic integration task of Uzbekistan, which is being implemented at the global level, is primarily aimed at active participation in international financial relations while protecting national economic interests. Formation and development of socially oriented market relations in our republic, ensuring stable growth of economic sectors, taking a strong position in world markets by producing high-quality and competitive products, consistent implementation of the strategy aimed at ultimately raising the living standards of the population and foreign economic special attention is paid to further improvement of the activity. By foreign economic activity, first of all, it is appropriate to understand the total practical efforts of the state agencies, legal entities and individuals of the Republic of Uzbekistan aimed at establishing mutually beneficial cooperation and development of such cooperations with foreign countries, their legal entities and individuals, and international organizations. Therefore, it is crucial to determine the following as the main tasks in the field of foreign economic activity:

- firstly, to pursue a specific goal of further liberalization of foreign economic activity, to introduce a preferential procedure for foreign investors to freely use their income in the export and import of goods;
- secondly, to further improve the legal, socio-economic and other conditions for attracting foreign investors, mainly in the form of direct capital investments, to the economy of the republic;
- thirdly, conducting an open-door policy towards investors who bring world-class technologies to Uzbekistan and help create a modern structure of the national economy;
- fourthly, to spend the funds on the most priority areas, the development of the agrarian sector, the fuel and energy complex, and other basic industries, which ensure the independence of the republic, and the production of ready-made products.

In order to implement these priority tasks, the legal basis of foreign economic activity was created in our country. These include the Laws of the Republic of Uzbekistan "On foreign economic activities", "On currency regulation", "On foreign investments", "On guarantees of the rights of foreign investors and measures to protect them", "On customs tariff", "On export control", "On measures to improve the mechanism of implementation of projects with foreign investments", "On additional measures to encourage producers of export products" and "On additional measures to encourage the attraction of foreign direct investments" decrees of the President of the Republic of Uzbekistan.

In the conditions of modernization of the economy, reforms aimed at the development of foreign trade connections in our country are being implemented consistently. The development of foreign trade relations plays an important role in increasing the stability of the national economy. Therefore, the development of foreign trade operations in our country, first of all, increasing the export potential has become one of the important issues of today. According to the results of February 2023, we can see that the foreign trade turnover (FTT) of our country amounted to \$8.9 billion. This means an increase of \$176.4 million or 2.0% compared to the same period of 2022. The export share in the total volume of foreign trade was \$3.2 billion, and the import share was \$5.8 billion. During the reporting period, a passive foreign trade balance in the amount of -\$2.6 billion was recorded.³ A positive trade balance is observed with 3 countries among the 20 largest partners. There is an active foreign trade balance with countries such as Afghanistan, Kyrgyzstan, and Tajikistan. The passive balance of foreign trade with the remaining 17 countries remains.

If we pay attention to the volume of Uzbekistan's foreign trade turnover (diagram 1) in the past 5 years, we can observe the growth trend. Excluding the pandemic period, we are witnessing an increase in

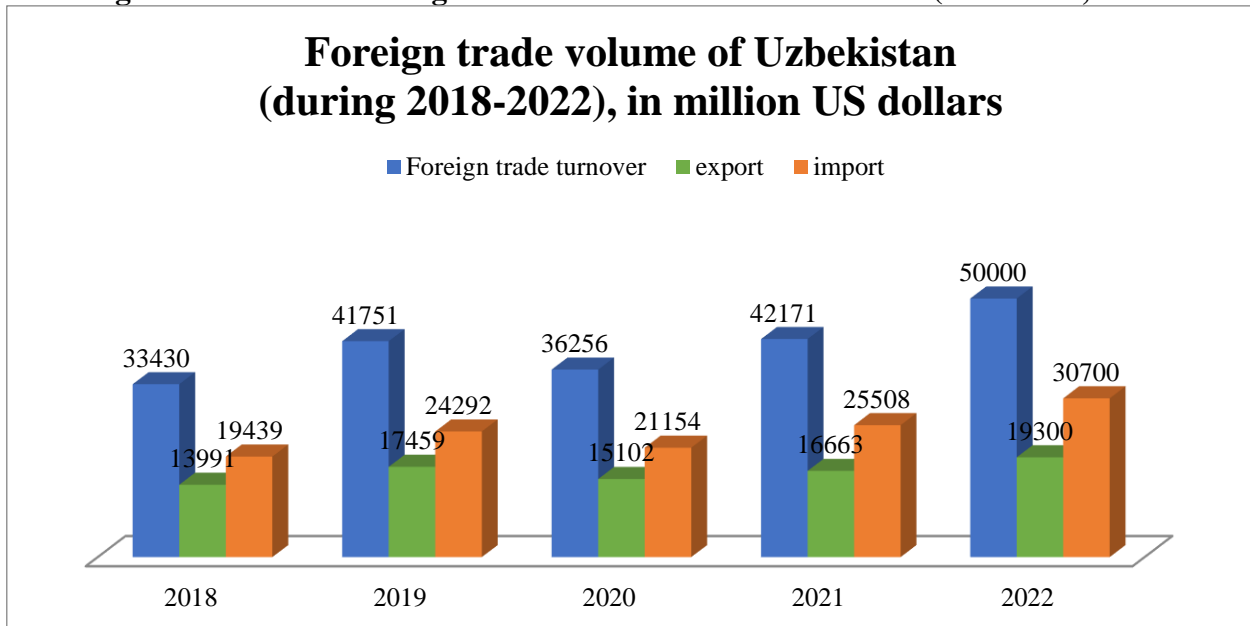
² Decree of the President of the Republic of Uzbekistan dated January 29, 2022 №60 "On the development strategy of the new Uzbekistan for 2022-2026"

³ <https://review.uz/uz/post/infografika-vneshnyaya-torgovlya-uzbekistana>

the volume of exports in line with foreign trade. Despite the increase in the volume of exports (19,3 billion \$ in 2022), we can see that the share of imports (30,7 billion \$ in 2022) has also increased sharply. This means that in this process it is necessary to activate the measures aimed at increasing the export potential of our country and taking a strong place in the world markets with high-quality and competitive products.

Diagram 1

Nine leading countries with the largest trade turnover with Uzbekistan (2019-2022, million dollars)



It was prepared by the author based on the data from the stat.uz website

Because the foreign trade balance has a negative indicator, it causes foreign exchange outflow from the national economy. This may have a negative impact on the development of the national economy in the future. In 2022, the main partner-state in the foreign trade turnover of Uzbekistan was the Russian Federation (table 1), and the trade turnover with this country increased by 22.9% last year and amounted to 9.28 billion dollars. The volume of exports to the Russian Federation increased by 46.8% (in 2021, the growth was 33.4%) to \$3.07 billion, and imports increased by 13.7% to \$6.2 billion. The Republic of China is in the next place, with 8.92 billion dollars (+19.7 percent) of goods exchange, 2.5 billion dollars of exports, and 6.4 billion dollars of imports in 2022. Kazakhstan - \$4.6 billion, Turkey - \$3.22 billion, and the Republic of Korea - \$2.3 billion (4.8%) are in the next places. In short, Uzbekistan has become dependent on trade relations with Russia and China. The share of RF in the turnover increased from 17.9% to 18.6%, and China's share increased from 17.7% to 17.8%.

Table 1

Nine leading countries with the largest trade turnover with Uzbekistan (2019-2022, billion dollars)

No	Countries / Years	2019	2020	2021	2022
1	Russia	6,62	5,66	7,55	9,27
2	China	7,62	6,43	7,45	8,92
3	Kazakhstan	3,36	3,00	3,92	4,62
4	Turkey	2,52	2,10	3,41	3,22
5	Republic of Korea	2,75	2,15	1,89	2,34
6	Kyrgyzstan	0,82	0,90	0,95	1,26
7	Germany	0,98	0,82	0,76	1,15
8	Turkmenistan	0,54	0,53	0,90	0,92

9	Afghanistan	0,61	0,77	0,67	0,75
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It was prepared by the author based on the data from the stat.uz website

The growth of Kazakhstan’s trade between our countries slowed down a bit (and its share decreased from 9.3% to 9.2%). Foreign trade with Turkey also began to decrease and reached to 3,22 billion \$ in 2022. Last year this indicator increased by 61.9%, this year the decrease was 5.5% mainly due to the decrease in Uzbekistan’s exports (the share from 8.1% to 6.4 decreased by percent). This may be due to a number of reasons, such as the devaluation of the lira and problems with logistics. After decreasing in 2021 (-11.7 percent), trade relations with the Republic of Korea increased by 23.2 percent (2,34 billion \$ in 2022) due to the growth of Korean exports. Trade turnover with Kyrgyzstan was 32.1% (\$1.26 billion), with Turkmenistan 2.7% (\$926.3 million), with Tajikistan 11.3% (\$674.4 million), with Afghanistan increased by 12.8 percent (\$0,75 billion). Trade with Afghanistan has improved, but is still lower than in 2020. Uzbekistan is increasingly expanding trade relations with the CIS countries. We can see that the share of the Commonwealth of Nations increased to 38.4 percent (from 37.8 percent) due to the decrease in trade with other foreign countries.

Table 2

The share of the six largest partner countries in the import of goods and services (2019-2022, %)

No	Countries / Years	2019	2020	2021	2022
1	China	21	21,3	19,3	20,9
2	Russia	17	19,7	21,4	20,2
3	Kazakhstan	8	10	10,8	10,6
4	Republic of Korea	11	9,9	7,2	7,5
5	Turkey	5,4	5,1	6,7	5,6
6	Germany	3,8	3,6	2,7	3,5

It was prepared by the author based on the data from the stat.uz website

By the end of 2022, the volume of machinery and transport equipment in the import structure increased by 16.9% to 9.65 billion dollars, and the share of the total volume of imports was 31.4% (it was 32.4%). The largest part of these goods was delivered to the country by China with 3.64 billion dollars (37.8 percent share), the Republic of Korea with 1.55 billion dollars (16 percent) and Turkey with 726.9 million dollars (7.5 percent). At the same time, Russia fell from 3rd to 5th place among equipment suppliers (the share decreased from 10.8 percent to 6.5 percent). Import of manufactured products increased by 22% and reached 5.76 billion dollars. The share of import in the total volume was 18.8 percent (18.5 percent). 2.44 billion dollars (42.3%) of manufactured products were imported from Russia, 1.26 billion dollars (21.9%) from China, and 721.5 million dollars (12.5%) from Kazakhstan.

Conclusion

In conclusion, it should be said that in “the Strategy of Actions for the further development of the Republic of Uzbekistan”, further development of international economic cooperation, including expanding relations with leading international and foreign financial institutions, continuing to implement a well-thought-out foreign debt policy, attracted foreign investment and effective use of loans” are defined as separate priority tasks. The effective performance of these tasks will increase the demand for the development of foreign economic cooperation, the development of mutual relations with international financial organizations, the strengthening of the integration of our country into the world economy, and the active implementation of measures aimed at this field. The policy of development of economic integration in Uzbekistan is primarily aimed at ensuring the growth of the national economy at a stable level and joining the ranks of developed countries in the world.

Based on the above, it can be said that the main directions of the strategy for the near future for the development of the export potential of our country are as follows:

- firstly, in order to stimulate export, first of all, to create a stable macroeconomic environment, to keep the rate of inflation at the forecast level, to prevent sharp fluctuations in currency exchange rates;
- secondly, to ensure that economic entities have the same opportunity to obtain imported means of production, regardless of the form of ownership;
- thirdly, to continue reforms in training and retraining of advanced specialists;
- fourth, to expand the scope of use of high technologies in production sectors in order to stimulate export potential;
- fifth, to increase the export potential based on the establishment and development of free economic zones in the country.

Increasing the volume of exports, improving its composition, diversifying foreign trade turnover in general serves the goals of achieving qualitative changes in the structural structure of our economy, increasing its competitiveness, economic growth and further raising the well-being of the population.

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