



WORLD TRADE ORGANIZATION AT THE PRESENT STAGE AND ECONOMIC REFORMS IN UZBEKISTAN

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ANOTATION.

This research article is devoted to current stage and economic reforms of World Trade Organization in Uzbekistan. In order to liberalize world trade by regulating it mainly by tariff methods with a consistent reduction in the level of import duties, as well as the elimination of various non-tariff barriers and quantitative restrictions, on January 1, 1995, the international structure of the World Trade Organization (WTO) was created. The functions of this organization are to monitor the implementation of trade agreements concluded between WTO members, organize and ensure trade negotiations among WTO members, monitor the trade policy of WTO members, and resolve trade disputes between members of the organization.

Key words: International relations, global integration, World Trade Organization.

INTRODUCTION.

The WTO has replaced the General Agreement on Trade and Tariffs (GATT). GATT 1947 was a brief document on transparency and non-discrimination that established that tariffs should be the main instrument of trade policy (not replaced by less transparent measures with a similar effect) and limited countries' ability to raise tariffs. GATT contracting parties could lower tariffs without fear that trading partners would take advantage by raising their tariffs. GATT had a small secretariat in Geneva to handle documentation and organize meetings. Core priorities and regulations set by WTO:

- shared understanding of most favoured nation treatment (MFN) in trade;
- common ground for national treatment (NR) to goods and services of foreign origin;
- regulation of trade mainly by tariff methods;
- refusal to use quantitative and other restrictions;
- transparency of trade policy;
- commitment on trade controversy via discussion and dialogue, etc.



The most notable activity of the GATT has been the rounds of multilateral trade negotiations. The first rounds consisted of bilateral tariff negotiations between the main suppliers of goods; the principle of non-discrimination means that any tariff reduction will apply to imports from all GATT contracting parties. Beginning with the 1964–1967 Kennedy Round, multilateral negotiations led to more general tariff cuts, and in the 1973–1979 Tokyo Round, this strategy was applied to non-tariff barriers. Finally, the 1986-1994 Uruguay Round included previously excluded sectors (agriculture, textiles and clothing), continued regulation of non-tariff barriers to trade, and introduced the General Agreement on Trade in Services (GATS).

Unlike the brief agreement signed in 1947, the Final Act of the Uruguay Round consisted of 550 pages and reflected a vast body of laws on world trade. On January 1, 1995, the GATT secretariat was replaced by the World Trade Organization. The Dispute Settlement Mechanism strengthened the law of world trade; in the first cases brought by Venezuela v. the US and Ecuador v. the EU, a major trading partner ruled against them and reversed the disputed practice. The fact is that all countries, large or small, have recognized the legitimacy of WTO rights and the desirability of complying with them.

GATT has become a success story. In 1947, only 23 countries signed the GATT, and already in 1986, 123 countries took part in the Uruguay Round of negotiations. A small secretariat, consensus decision-making and slow but steady progress in trade liberalization have created a solid and acceptable basis for international trade. However, by 1995, the structure had become an anachronism and required reform, the result of this process was the creation of the World Trade Organization.

Membership in the WTO implies adherence to a set of trade laws based on the principles of transparency and non-discrimination, which were adopted between 1947 and 1994 and enshrined in the Final Act of the Uruguay Round. Each member submits tables of tariffs and major NTBs (non-tariff barriers), which can only be increased under certain conditions. The most important of these conditions are safeguards against unfair practices: anti-dumping duties (AD) to counter predatory pricing and countervailing duties (CTD) to offset subsidies received by exporters. In addition, members agree to abide by codes and other agreements.



The distinction between the WTO and GATT is important, even though it is often obscured by media coverage that highlights failed Doha round talks rather than increased trade flows or dispute resolution cases. The contrast between the GATT and WTO eras also reflects a changing trade landscape, with tariffs lowered and subsidies, taxation, and discriminatory rules becoming major sources of trade friction. Such issues are less amenable to multilateral trade negotiations than tariff cuts or the identification of major non-tariff barriers. They are better suited to litigation based on WTO trade law, although the problem remains how to review laws if they are found to be unsatisfactory or when new areas require management. Small successor states of the USSR joined the WTO rather quickly (Kyrgyzstan in 1998, Latvia and Estonia in 1999, Georgia in 2000, Lithuania and Moldova in 2001, Armenia in 2003). For a small, open economy, zero tariff is the optimal tariff, and these states were not far behind when they agreed to tie their tariffs down and eliminate the use of non-tariff barriers to trade. Major economies, including Uzbekistan, have taken a wait-and-see attitude. The benefits of WTO membership were hidden during the resource boom; The WTO is not relevant to trade in oil and gas or most minerals, for which few importing countries are willing to restrict trade. Russia joined the WTO in 2012, Tajikistan in 2013 and Kazakhstan in 2015, leaving Uzbekistan, Belarus, Azerbaijan and Turkmenistan as non-members among the successor states of the USSR.

WTO members, according to 2021 data, are 164 states.

More than 24 states and many international organizations, including the UN, the IMF and the World Bank, have observer status in the WTO.

The WTO accession procedure consists of several stages which requires roughly 5-7 years.

The first step is examining the structure of the working groups. The economic and political reforms of the joining state is reviewed for its internal policy correlated with requirements and regulations set by the WTO. Following this, discussions take place with the presence of member states. In order to prevent any partisanship, joining states have the benefits that all WTO members possess.

MAIN BODY.

In accordance with the established procedure, the results of all negotiations on the liberalization of market access and the terms of accession are formalized in the following official documents:



- a statement presented by the working group, outlining principles and responsibilities that joining State is willing to accept;
- a list of obligations on tariff concessions in the field of goods and on the level of support for agriculture;
- a list of specific obligations for services and a list of exemptions from the MFN (most favored nation treatment);
- an accession protocol that legally formalizes the agreements reached at the bilateral and multilateral levels.

The fundamental requirement for joining state is adjust its economic and political policies to Uruguay Round agreement. In the final stage, joining state ratifies the agreements which will later be signed by General Council.

Research and discussion: WTO and Uzbekistan.

The process of Uzbekistan's accession to the World Trade Organization as the first country in Central Asia was initiated by the First President of Uzbekistan Islam Karimov in 1994. During this time, Islam Karimov initiated a wide package of socio-economic reforms and transformations aimed at liberalizing trade and modernizing the domestic trade regime. In the first phase of these reforms, a working group was established and the process of accession to the WTO began with the submission of an official application to the WTO Secretariat, signed by the Minister of Foreign Trade. Uzbekistan also sent its Memorandum on Foreign Trade Regime (MFTR) to WTO members, and later a number of other necessary documents for WTO accession, including initial proposals for market access for goods and services. In connection with the proclamation of Uzbekistan's own path of socio-economic reforms with a gradual transition to a market economy, the process of joining the WTO was slowed down in the early 2000s.

Uzbekistan's progress has led to support from WTO members for the 4th meeting of the Working Group on Uzbekistan's accession to the WTO, which took place on July 7, 2020 after almost fifteen years of negotiation stalemate. This momentous event marked the return of Uzbekistan to the negotiating table, as well as the dedication and efforts of its government towards WTO accession. Further developments in the accession process will depend on progress made in the upcoming bilateral and multilateral negotiations, as well as



on bringing Uzbekistan's trade regulatory regime into line with the rules and regulations of the WTO.

On July 7, 2020, for the first time since October 2005, a meeting of the working group on Uzbekistan's accession to the World Trade Organization (WTO) was held. Deputy Prime Minister, Minister of Investment and Foreign Trade of Uzbekistan Sardor Umurzakov said that joining the World Trade Organization is "an absolute priority" and "an integral part of ongoing reforms aimed at further integration of Uzbekistan into the world economic community and the multilateral trading system."

The current state (as of October 2020) of the process of Uzbekistan's accession to the WTO is presented in this diagram:



Source: WTO information on the current status of this accession WTO | Accession status: Uzbekistan

The process of Uzbekistan's accession to the WTO was strongly influenced by domestic economic and political developments. After the turmoil associated with the collapse of the USSR in December 1991, the introduction of the national currency was followed by the usual macroeconomic package in the second half of 1994. Uzbekistan became the leader of reforms in Central Asia, and in December 1994 negotiations began on joining the WTO.

In the early 2000s, the government discussed easing foreign exchange controls, but did not dare to take decisive steps to ensure free currency conversion. In 2003, the government's announcement of the abolition of foreign exchange controls was followed by a series of seminars and other projects to analyze the consequences of joining the WTO (Normatov, 2018). However, despite recommendations to include WTO accession in the economic



reform agenda, the government tightened foreign exchange controls and negotiations with the WTO ceased after 2005.

Negotiations take time, because the WTO in 2020 is not so much about agreeing on the height of trade barriers as it is about ensuring a level playing field. WTO members expect Uzbekistan to lift many of the measures used to help individual sectors or even individual producers. At the same time, Uzbekistan may take the opportunity to negotiate exceptions to WTO rules and codes that are not in its national interest, i.e. if the health, safety or environmental reasons for exclusion are serious.

Uzbekistan's commitment to reforms and the consistency of their implementation can serve as a determining factor for accelerating and simplifying the path to WTO accession, and WTO membership will undoubtedly benefit a reformed economy. In a favorable domestic environment, WTO membership demonstrates a commitment to complying with established global trade laws and can ensure that a country benefits from specialization and foreign trade without fear of protectionist measures in foreign markets. Accession to the WTO also demonstrates a commitment to open policies and transparent governance that promote foreign and domestic trade and make foreign direct investment, as well as domestic investment, more attractive.

Membership, especially of China and, to a lesser extent, of Russia and other countries with former centrally planned economies that retain strong interventionist tendencies, was perceived as a serious challenge to the functioning of the WTO. While concerns about how to deal with subsidies and state-owned enterprises, as well as China's weak intellectual property protection, arose even before the 2016 US presidential election, President Trump sharply slashed US criticism of China and criticized the WTO for failing to solve Chinese trade practices. In 2018-2019, criticism turned into action as the US vetoed the replacement of members of the WTO's appeals body, causing the WTO's dispute settlement process to be annulled by the end of 2019.

However, with the exception of the US, most members emphasize the desirability of trade under WTO rules (Levy and Bown, 2020). If the dispute resolution mechanism does not work due to the lack of an appeals body, alternative mechanisms must be found. Of course, the global trade law will be weakened by the absence of the world's largest economy, but it is



still a valuable public good if 163 countries comply with it. Amendments to the WTO Charter should be negotiated, not threatened.

At the 1996 ministerial meeting in Singapore, members identified four issues (trade facilitation, public procurement transparency, trade and investment, and trade and competition) that were not addressed in the Final Act. The Doha Round was launched in 2001 to address shortcomings in current WTO agreements and bring Singapore issues into global trade law. Two decades later, the only achievement was the rather weak Trade Facilitation Act.

Areas that barely existed in 1995, such as digital trade and e-commerce, should be included in world trade law. In the absence of consensus, WTO members may enter into plurilateral agreements that are not binding on members that do not sign them. The most successful multilateral agreement was the 1996 Information Technology Agreement, signed by 82 countries that committed to abolish tariffs on IT products covered by the Agreement. The countries involved include high- and middle-income countries most involved in global electronics value chains (GVCs) that want to make it clear to leading GVC firms that components will not be subject to tariffs. In December 2015, more than fifty WTO members entered into an expansion of the Agreement; ITA-2 covers 201 more products worth over \$1.3 trillion a year. Interest in multilateralism has grown since 2018, when a group of WTO members began work on an e-commerce agreement. The 85 member proposal was due to be discussed in June 2020, but the ministerial meeting was postponed due to the COVID-19 pandemic. Opponents of multilateral agreements have raised concerns about undermining the universality of WTO trade law.

Since 2016, the WTO has 164 members and 24 observers, which are at various stages of accession negotiations; the only UN members not affiliated with the WTO are North Korea, Eritrea, and a few microstates. This near-universal membership is important for establishing trading rules that are accepted around the world.

CONCLUSION.

The rules governing trade liberalization are steadily moving beyond simple tariff cuts to include increasingly detailed clarifications on how to manage the economy, leading to substantial demands for internal adjustments in national institutions. The growing legalization of international rules means that these requirements are also becoming



increasingly mandatory (Keohane et al. 2000). One such important development in the international order was the creation of the WTO in place of the General Agreement on Tariffs and Trade (GATT) in 1995 (Hoekman 1995).

When GATT was created in 1947, its main focus was to promote the mutual reduction of border barriers—tariffs and quotas—among its members. The trade concession negotiation process was loosely based on the principles of most favored nation (MFN, the principle ensures that a concession that one WTO member grants to another trading partner must also be offered to all of its other trading partners), reciprocity, and flexibilities (special and differential treatment).) for developing countries. As tariffs imposed by major economic countries were substantially reduced through several rounds of GATT negotiations, attention has shifted over time to non-tariff barriers as potential ways to reduce trade frictions since the Tokyo Round in 1979 (Barton 2006, p. 45).

The formation of the WTO brought together a number of agreements, including GATT, General Agreement on Trade in Services (GATS), Agreements on Sanitary and Phytosanitary Measures (SPS), Subsidies and Countervailing Measures (SCM), Trade-Related Investment Measures (TRIMS), Trade Aspects of Rights intellectual property (TRIPS) and technical barriers to trade (TBT).

Finally, WTO rules govern not only tariff levels, but also how domestic economic policy and regulation should be carried out, and provide an enforcement mechanism through the Dispute Settlement Mechanism. As the scope of trade regulations has expanded, so has the number of interest groups that now have a stake in the trading system, such as environmental, health and consumer rights groups, to name but a few. However, given the breadth of domestic politics now under the jurisdiction of WTO rules, it is perhaps the state — and the many entities and interests it contains — that is most affected by these new trade rules.



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