

Development Of Trade And Economic Integration Of The Republic Of Uzbekistan In Conditions Of Accession To The Eurasian Economic Union

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Abstract: *The relevance of the chosen topic is to give an idea of the positive aspects of the accession of the Republic of Uzbekistan to the Eurasian Economic Union.*

Keywords— Memorandum, preference, integration, advantages, barrier, intellectual potential, export potential, transport infrastructure, transparent tariffs, foreign trade turnover, energy resources.

1. INTRODUCTION

"We attach importance to development of close and multidimensional cooperation with EEU. It is important to use the capacity of our countries, in common to remove barriers and obstacles in trade relations, to mutually form the new markets" — the president told, speaking at a meeting.

According to the head of state, mutually beneficial relations within the extensive Eurasian region are characterized by high mobility of human resources. "We consider that close cooperation in this area will promote the solution of topical issues of employment of the population, ensuring the increasing needs of economies of our countries for qualified specialists" — Shavkat Mirziyoev told.

The president emphasized that the countries of EEU are the main, natural trade partners of Uzbekistan. In particular, in recent years the volume of mutual goods turnover of the country with the states of association increased almost twice, with the certain countries — even in the conditions of a coronavirus pandemic. Thousands of joint ventures with participation of investments of the states of EEU are also created.

As show researches, the EEU is considered the most advanced integration project in the CIS and represents the second in the world on depth of regional economic integration structure after the European Union.

Within EEU freedom of the movement of goods, the services, the capital and the labor, carrying out coordinated, coordinated or uniform policy in key industries of economy is provided.

2. METHODS AND ANALYZES

Association of financial and economic resources of member countries, strengthening of integration interaction in association, active use of the general potential in trade and economic, transport and communication, power spheres remains a key priority of development of the union.

Following that a strategic and vital step on the way of further growth and development of economy of Uzbekistan is the integration way of development, including the accession to EEU. And Uzbekistan having sufficient political, economic and intellectual potential has to solve independently the difficult problems facing him, proceeding from the national interests.

At the same time, it is necessary to emphasize that the EEU within several years could prove to be the steady international organization with which it is possible to cooperate effectively, we will review several examples (the forecast for January-October, 2020):

The volume of mutual trade in goods between member states of the Eurasian Economic Union (further – EEU) for January – the October, 2020 estimated as the sum of values of export operations of member states of EEU in mutual trade was 44.1 bln. dollars of the USA, or 88.4% to the level of January – October, 2019.

Structure of mutual trade in goods of member states of EEU for January – October, 2020 (as a percentage to a result on EEU) illustrates figure 1.

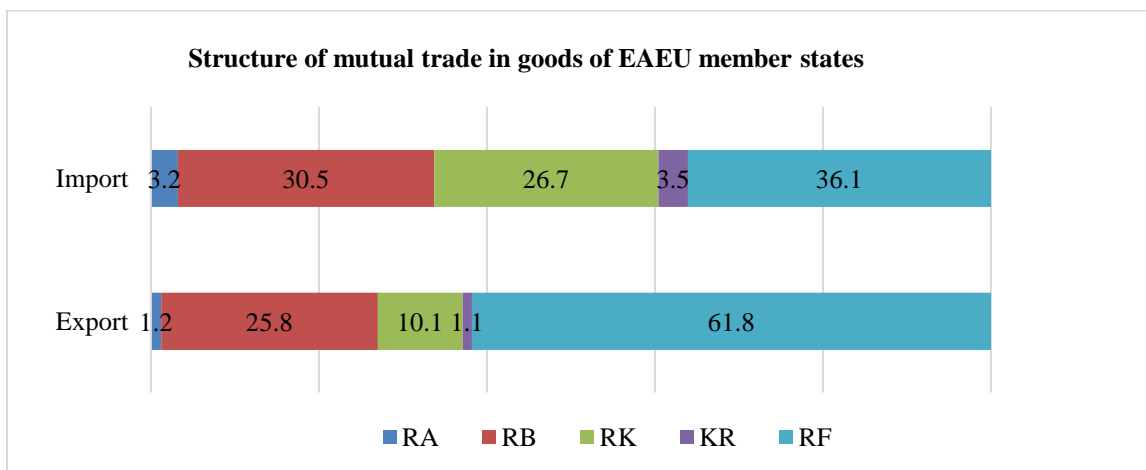


Fig. 1. Structure of mutual trade in goods of EAEU member states

Compared to January - October 2019, the proportions in mutual trade changed as follows. In mutual exports, the contribution of the Republic of Kazakhstan decreased from 10.3% to 10.1%, in the Russian Federation - from 63.4% to 61.8%. The share of Belarus increased from 24.0% to 25.8%. For the Republic of Armenia and the Kyrgyz Republic, the indicator remained at last year's level and amounted to 1.2% and 1.1%, respectively.

The contribution of the Republic of Armenia to the purchase of goods on the general market (imports) increased from 2.6% to 3.2%, the Republic of Kazakhstan - from 24.7% to 26.7%, the Russian Federation - from 33.5% to 36.1%. The value of the indicator for the Republic of Belarus decreased from 35.7% to 30.5%, for the Kyrgyz Republic the indicator remained at last year's level and amounted to 3.5%¹.

Distribution of export and import supplies of EAEU member states in mutual trade by partner countries is presented in Figures 2 and 3 respectively.

¹ The material was prepared on the basis of data provided by authorized bodies of the member states of the Eurasian Economic Union in accordance with the Protocol on the Procedure for the Formation and Dissemination of Official Statistical Information of the Eurasian Economic Union (Annex No. 4 to the Treaty on the Eurasian Economic Union of May 29, 2014). The data are formed in accordance with the approaches defined by the Methodology for the Formation of Statistics of Foreign and Mutual Trade in Goods of the Eurasian Economic Union.

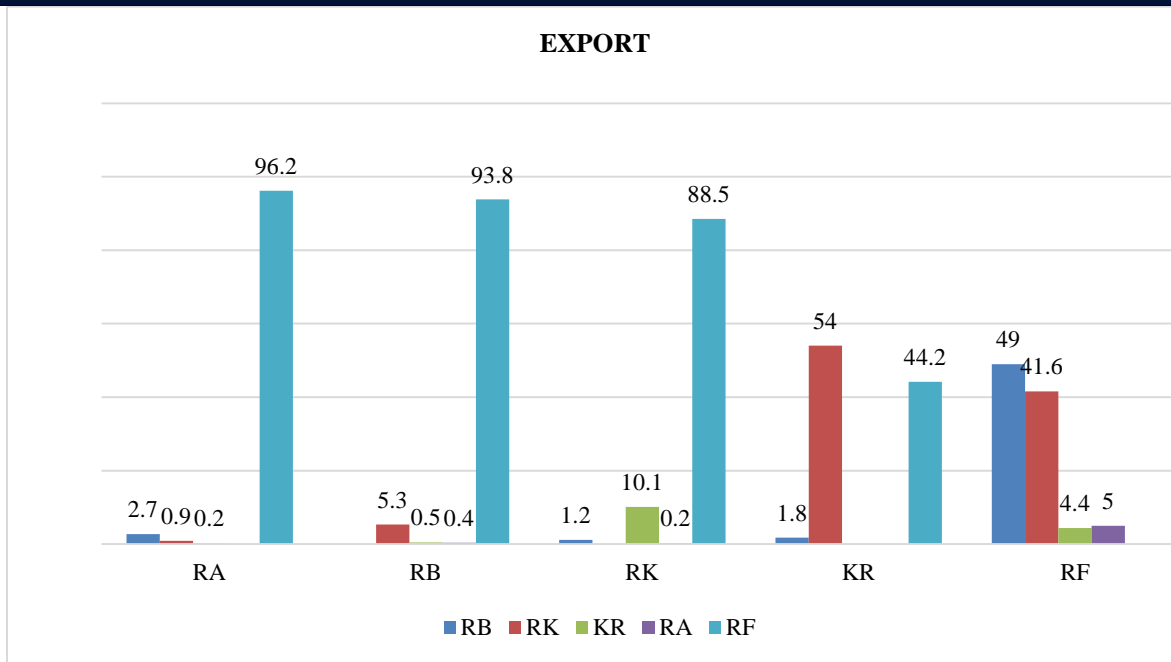


Fig.2. Distribution of export supplies of EAEU member states for January-October 2020

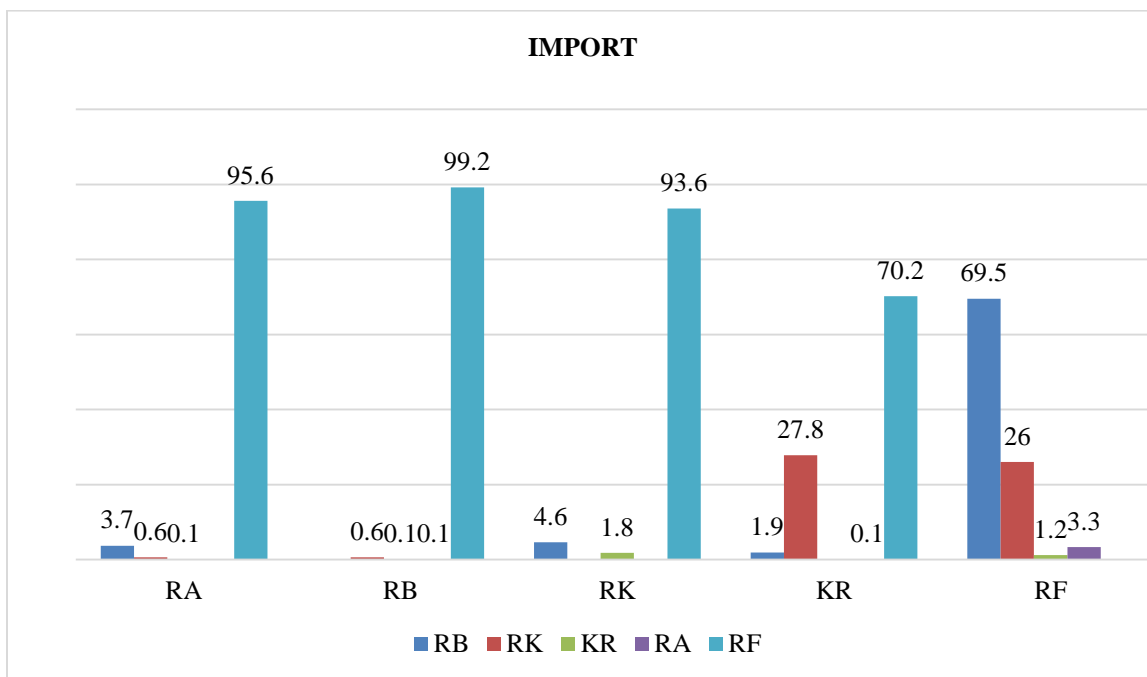


Fig.3. Distribution of imports of EAEU member states for January-October 2020

So, today the EAEU contributes to the creation of a network of free trade zones with a wide range of countries and economic blocs. An FTA agreement was signed with Vietnam; an interim agreement was reached leading to the formation of a free trade zone with Iran and a non-preferential agreement on trade and economic cooperation with China. A Memorandum of Understanding with ASEAN has been signed. Agreements on the formation of a free trade zone with Singapore, Thailand, India, Egypt and Israel are being worked out.

So why not there are list a number of positive parties when the Republic of Uzbekistan enters the EAEU:

First, it opens new opportunities for export capacity-building. It should be noted that the intensification of Uzbekistan's foreign economic activity takes place in the context of the reform and renewal of the entire political, economic and social life of the republic.

In the next five years, Uzbekistan is expected to increase GDP to \$100 billion by increasing production in leading sectors of the economy (engineering, industry, ICT, pharmaceuticals, textiles). According to economists, further intensification of cooperation between Uzbekistan and the EAEU will increase the export of only fruits and vegetables to 30%, textiles and leather and footwear products - by 20-25%.

Secondly, the EAEU is also a platform for expanding the export of goods of members of this organization to third countries. According to the results of January-November 2020, the foreign trade turnover of the republic reached 32971,8 million US dollars, which, compared to the same period last year, decreased by 4897,6 million US dollars [1].

Of the total volume of WTO, exports amounted to \$ 13329,1 million US dollars (a decrease of 2019 by January-October 7.4%), and imports - 16730,3 million US dollars (a decrease of 16.0%). As a result, the foreign trade balance amounted to a passive balance of 3401,2 million US dollars.

We all know that the EAEU successfully develops trade and economic relations with third countries (Vietnam, Iran, Singapore, Serbia, China and others) and integration associations (ASEAN, MERCOSUR, CIS, Pacific Alliance, Andean Community and others). It is only natural that the expansion of cooperation with the EAEU will also facilitate the access of goods and services from Uzbekistan not only to the markets of the CIS countries, but also Europe, South and Southeast Asia, and the Middle East.

Close cooperation with the EAEU will contribute to increasing the investment attractiveness of Uzbekistan, which will be considered by large investors as a springboard for exit the wider markets of the Eurasian space.

It is impossible not to mention the fact that Uzbekistan's active involvement in the activities of the EAEU will allow for simplified access to the funds of the Eurasian Development Bank (EDB), whose authorized capital is about seven billion dollars. It is noteworthy that since the beginning of activities, EDB has attracted external financing in the total amount of more than \$3.4 billion. The total investment of the bank in the economies of the participating states reached \$8.3 billion.

Thirdly, the development of transport and communication links. The existence of a developed and favorable transport infrastructure, especially for Uzbekistan, which does not have direct exit to the sea routes, is the main condition for the advance development of foreign economic activity.

It is known that 80% of Uzbekistan's foreign trade cargo is transported through the EAEU member countries - Russia, Kazakhstan and Kyrgyzstan. This leads to an increase in the share of transport costs in the cost of export goods and updates the development of transport and communication relations within the framework of the Eurasian Economic Union.

Uzbekistan cannot stay away from the processes of forming a single transport space and transport services within the framework of the EAEU, whose member countries have been pursuing a coordinated policy in this direction since 2015.

The use of transport and communication systems of the EAEU will provide the shortest routes between Europe and Asia, exit to markets and sea routes of the Near and Middle East, China, Russia and European countries.

According to experts, the costs of transit of goods through the railways of the EAEU countries may be reduced to \$220 million. Moreover, due to the simplification of customs procedures, the formation of transparent tariffs and the opening of new routes, the transit potential of Uzbekistan can be increased from the current seven million tons to 16 million tons.

Fourth, increasing energy needs. We must not forget that in the context of the progressive development of the economy, growth in the number and increase in the standard of living of the population in Uzbekistan, the need for energy resources is increasing.

Already today, to meet domestic needs, Uzbekistan annually imports about 400 thousand tons of oil from the EAEU countries. According to economists, by 2030 the volume of oil imports could be about three million tons. [2]

Moreover, Uzbekistan's electricity demand by 2030 from the current 69 billion kWh will increase to 117 billion kWh.

In this regard, the issue of stable supply of energy resources on mutually beneficial conditions is being updated. The establishment of a closer dialogue between Uzbekistan and the EAEU, the participants of which reached an agreement on the creation of a single energy market by January 1, 2025, will ensure growing needs for fuel and energy resources at domestic prices of the EAEU.

As we all know, Uzbekistan has received observer status in the Eurasian Economic Union (EAEU). The corresponding decision was taken on December 11, 2020 at a meeting of the Supreme Eurasian Economic Council, in which the President of Uzbekistan Shavkat Mirziyoyev took part. [3]

Results. Taking into account the above, it seems advisable to study the possibility of Uzbekistan's participation in the EAEU as an observer.

On the one hand, observer status takes cooperation with the EAEU to a qualitatively new level, at the same time it does not limit the economic sovereignty of the country and does not imply the transfer of sovereign powers to the supranational bodies of the EAEU.

On the other hand, this will allow a comprehensive study of the situation of affairs within this union and a decision on the EAEU after a thorough analysis of all possible consequences of the country's accession to this structure and their compliance with strategic priorities and national interests of the country.

Active involvement as an observer in the EAEU will certainly provide Uzbekistan with an opportunity to develop cooperation skills within the EAEU - to study in detail the process of making joint decisions and make sure that the interests of the organization's states are taken into account, to prepare the necessary infrastructure and personnel potential for effective interaction with the union.

At the same time, it is very important that at joint events a dialogue will be established with all the member states of the EAEU, which form the "rules of the game" within the framework of a single economic space. This will allow already at the stage of observation to defend their own interests when making decisions within the framework of an integration association.

3. CONCLUSION

As can be seen from the above, there are serious grounds for consideration the possibility of participating in the EAEU. At the same time, it is impossible to ignore the forecast estimates of economists about the possible disadvantages and expenses of cooperation between Uzbekistan and the EAEU, in particular, there is a likelihood of fierce competition with large companies of the EAEU countries in the automotive, coal and metallurgical industries, the pharmaceutical industry, food production, which are key sectors of the economy and form more than 30% of our country's GDP. Moreover, within the framework of the EAEU, there are some unresolved issues that manifest themselves in the presence of various technical and tariff barriers in the field of trade, which complicate the implementation of the unified economic policy of the EAEU countries. The remaining risks actualize the need for a more detailed and in-depth study of the activities of this structure in order to create a clear idea of what Uzbekistan may face in reality.

4. REFERENCES

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- [3] Session of the Supreme Eurasian Economic Council of December 11, 2020, <https://www.gazeta.uz/ru/2020/12/11/eaue>