

COMPARATIVE ANALYSIS OF THE EXPORT POTENTIAL OF THE REPUBLIC OF UZBEKISTAN WITHIN THE FRAMEWORK OF THE EAEU

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Annotation

The significance and function of export potential lie in its ability to serve as a crucial measure of competitiveness, affirming genuine competitive advantages. Additionally, it acts as an instrument for advancing national interests in the global economic landscape. This article provides a comparative analysis of Uzbekistan's export potential within the Eurasian Economic Union (EAEU). The article examines foreign trade relationships of Uzbekistan within this regional economic bloc.

Keywords: Foreign trade, export, EAEU, trade balance, economic development, turnover, export potential.

Introduction

Foreign trade relations of countries have a positive effect on the growth of the world economy and largely determine the quality and standard of living of the population. Most of Uzbekistan's foreign trade relations are connected with the EAEU countries. For Uzbekistan, foreign trade within the EAEU is of paramount importance, it allows these countries to take advantage of regional integration, gain access to larger markets, diversify trade relations and ultimately contribute to their economic development and prosperity.

Uzbekistan acts as a prominent economic force in Central Asia. The country's GDP in 2020 reached \$57.7 billion, exceeding the figure of Kyrgyzstan by 7.5 times and exceeding that of Armenia by 4.6 times. However, it remains three times lower than Kazakhstan's GDP. The dollar-denominated GDP of Uzbekistan is just over 3% of the total GDP of the EAEU member countries, which is comparable to the output of Belarus. Uzbekistan has significant reserves of natural resources and the potential for growth in their production. Gold reserves are estimated at 2.5-5 thousand tons - among the ten largest in the world. According to the 2020 World Gold Council report, between 2018 and 2019, Uzbekistan's annual gold production reached approximately 100 tons, placing the country in 11th place in the world in this aspect. The country has significant reserves of valuable resources, including silver, copper, uranium, tungsten, coal and natural gas. However, there is an underutilization of this resource wealth. This gives the republic the opportunity to expand its influence in the

value chain, especially in sectors such as non-ferrous metallurgy, production of building materials, as well as the chemical and petrochemical industry [i].

Uzbekistan is gradually strengthening its industrial and export potential, there is an increase in both the number and the share of high value-added products in total exports. This strategic shift aims to reduce dependence on energy and cotton exports. A noticeable transformation took place in the structure of industrial exports, which contributed to the growth of trade in finished products. However, the prospect of a further increase in production and export of high-value finished products remains underutilized.

Table 1 - Foreign trade of the Republic of Uzbekistan (million US dollars) [ii]

Indicators	2017	2018	2019	2020	2021	2022
Turnover of foreign trade in goods and services (million USD)	26 566,1	33 429,9	41 751,0	36 256,1	42 170,5	50 061,5
Export (mln USD)	12 553,7	13 990,7	17 458,7	15 102,3	16 662,8	19 293,7
Import (million USD)	14 012,4	19 439,2	24 292,3	21 153,8	25 507,7	30 767,8
Trade balance (million USD)	-1 458,7	-5 448,5	-6 833,6	-6 051,5	-8 844,9	-11 474,0

The above table 1 shows the constant growth in the turnover of foreign trade in goods and services in the country. According to the Agency on Statistics under the President of the Republic of Uzbekistan, Uzbekistan's foreign trade turnover in 2022 increased to \$50.01 billion, an increase of \$7.84 billion or 18.6% compared to the previous year. The value of the country's exports increased by 54% over 5 years from \$12,553.7 million to \$19,293.7 million. Export growth has an upward trend, which indicates the expansion of Uzbekistan's presence in international markets. In 2022, imports reached \$30.67 billion, representing an increase of 20.4% compared to 2021. During the analyzed period (2017-2022), Uzbekistan experienced a trade balance deficit, it increased over the years, reaching -11,474.0 million US dollars in 2022, which is 28.7% more than in 2021, when it was -8.85 billion dollars. Uzbekistan shows a steady growth in the share of exports in GDP, from 20.7% in 2017 to 27.3% in 2022. The government of Uzbekistan is implementing economic reforms to open up the country to foreign investment and improve trade relations, which has contributed to strong export growth.

Table 2 - Export indicators of Uzbekistan for 2017-2021 (Source: Compiled by the author based on data from [3])

Year	export, billion dollars	exports per capita, dollars	export, billion dollars	export growth, %	Share of Uzbekistan, %		
	current prices		constant prices		in the world	in Asia	in Centra l Asia
2017	12,9	403,1	15,9	14,1	0,056	0,15	12,8
2018	14,2	437,3	17,5	10,2	0,056	0,15	12,2
2019	17,0	516,4	20,3	16,2	0,068	0,18	14,0
2020	14,5	433,8	16,2	-20,0	0,064	0,16	13,9
2021	16,4	482,4	18,3	12,7	0,058	0,14	12,8

The share of Uzbekistan in world exports fluctuated, but generally remained relatively low, ranging from 0.056% to 0.068%. The country's share of exports to Asia also remained relatively low, ranging from 0.14% to 0.18%. In Central Asia, the share of Uzbekistan in exports ranged from 12.2% to 14.0%. The largest increase in exports was observed in 2019 with an increase of 16.2%. The lowest export growth occurred in 2020 with a -20.0% decline due to the likely economic impact of the COVID-19 pandemic. In 2021, exports increased by 12.7%, showing a recovery from the previous year's decline.

To date, the Republic of Uzbekistan has established trade relations with 204 countries of the world. A significant part of foreign trade activity was focused on transactions with the Russian Federation (18.6%), China (17.8%), Kazakhstan (9.2%), Turkey (6.4%), the Republic of Korea (4.7%), Kyrgyzstan (2.5%) and Germany (2.3%). During the period under review, the contribution of the countries of the Commonwealth of Independent States (CIS) to the volume of foreign trade increased by 0.6% compared to the same period in 2021. Consequently, their combined share in the total foreign trade turnover for January-December 2022 reached 38.4%. The total foreign trade turnover between the Republic of Uzbekistan and the CIS countries amounted to \$19.18 billion. Among these figures, exports were \$7.85 billion and imports were \$11.32 billion. The main contribution to the foreign trade turnover with the CIS countries was made by the Russian Federation (48.4%), Kazakhstan (24.1%) and Kyrgyzstan (6.6%). At the end of 2022, there is a negative balance of foreign trade in goods and services in Uzbekistan in the amount of \$4.2 billion, which is 17% less compared to the previous year. At the same time, the country in foreign trade

turnover with the CIS countries demonstrates a constant negative balance in terms of foreign trade, which negatively affects macroeconomic indicators.

Table 3 - Foreign trade turnover (WTO) of the Republic of Uzbekistan with the EAEU countries (for January-December 2022) (million US dollars) [iii]

Country	WTO	Export	Import	Trade balance
Russia	9 279,7	3 066,9	6 212,8	-3 145,9
Kazakhstan	4 621,0	1 379,7	3 241,2	-1 861,5
Kyrgyzstan	1 260,0	979,3	280,7	698,8
Belarus	536,2	126,5	409,7	-283,2
Armenia	24,8	19,6	5,1	14,5

As can be seen from Table 3, Russia and Kazakhstan are the main trading partners of Uzbekistan within the EAEU, making a significant contribution to the total trade turnover in the amount of USD 13,900.7 million. However, the country is experiencing a trade deficit with Russia and Kazakhstan, with a negative balance of up to 3,145.9 and 1,861.5 million US dollars, respectively. This indicates a higher demand for goods from these countries compared to their demand for Uzbek goods. Uzbekistan has a positive trade balance with Kyrgyzstan and Armenia, exports of goods and services to these countries account for 18% of total exports to the EAEU in the period under review. Trade turnover with Belarus in 2022 amounted to 536.2 million US dollars: export - 126.5 million US dollars; import - 409.7 million US dollars. Uzbekistan's trade deficit (-283.2 million US dollars) with Belarus is relatively smaller compared to other EAEU countries, reflecting a more balanced trade relationship. Export shares for 2022 to individual countries were as follows: Armenia (0.35%), Belarus (2.28%), Kazakhstan (24.76%), Kyrgyzstan (17.40%) and Russia (55.03%).

Table 4 - Rating of the EAEU countries and Uzbekistan in terms of exports of goods and services in the world (Compiled by the author based on data [iv])

Ranking (2021)	Country	Export (2021)	Percent change by 2021
16	Russia	549 billion dollars	44,09%
50	Kazakhstan	66 billion dollars	26,63%
58	Belarus	49 billion dollars	31,55%
85	Uzbekistan	16 billion dollars	13,1%
118	Armenia	5 billion dollars	30,32%
127	Kyrgyzstan	3 billion dollars	37,7%

Russia is the leading exporter among the listed countries with a significant export value of US\$549 billion in 2021. In addition, there was a significant percentage change of 44.09%, which indicates a steady increase in exports this year. This high export value indicates that Russia has a well-established and diversified export base with the potential to expand its presence in global markets.

Belarus ranks 58th in terms of export value. It exported US\$49 billion worth of goods in 2021 with a percentage change of 31.55%. Like Kazakhstan, Belarus also demonstrates the potential for export growth. However, it needs to focus on diversifying its export basket and exploring new markets to further enhance its export potential.

In 2021, Uzbekistan, ranking 85th, exported goods worth 16 billion US dollars, and the percentage change was 13.1%. The export potential of the country is evident from the steady growth, but there is room for further improvement. Uzbekistan can use its strategic position and invest in sectors with high export potential to strengthen its position in international trade. As a landlocked country in Central Asia, Uzbekistan faces challenges related to transportation and access to international markets.

With exports of \$66 billion and a percentage change of 26.63%, Kazakhstan also posted positive export growth in 2021. As a country rich in natural resources, including oil and minerals, Kazakhstan's exports are likely to be dependent on world commodity prices. In this rating, Kyrgyzstan and Armenia occupy low positions, however, the percentage change in exports by 2021 of these countries by 30.32% and 37.7%, respectively, still means the activity of the export sector.

The indicators suggest that export activities play a significant role in these economies, and trends may reflect their trade relations and economic development strategies between 2017 and 2022. Overall, the data show varying degrees of export orientation in the countries mentioned. Belarus and Armenia appear to have higher export dependence, while Kazakhstan, Kyrgyzstan and Uzbekistan show more moderate levels.

Uzbekistan is not a member of the EAEU, but is located in Central Asia and participates in regional organizations such as the Central Asian Regional Economic Cooperation (CAREC) and the Shanghai Cooperation Organization (SCO). The country has preferential access to the regional market, the total consumer base of which is more than 180 million people. This opens up opportunities for expanding Uzbekistan's exports within the EAEU without facing significant trade barriers [5] [6].

Based on what has been learned, the following recommendations have been made:

1. Uzbekistan should take advantage of preferential trade agreements within the EAEU to gain access to a wider market for its goods and services. Harmonizing trade rules and lowering non-tariff barriers could help smoother trade within the bloc. Removing non-tariff barriers: Working with EAEU partners to remove non-tariff barriers that impede the flow of goods and services. Eliminating technical barriers, certification requirements, and licensing procedures can make trading easier.

2. Collaborate on the development of efficient transit corridors to ensure the unhindered movement of goods by Uzbekistan and other EAEU countries. Improved transport and logistics infrastructure will reduce trade costs and transit times.
 3. Invest in infrastructure and e-commerce platforms to facilitate cross-border trade between Uzbekistan and other EAEU member countries. E-commerce can provide exporters with a cost-effective way to directly contact customers.
 4. Support for small and medium enterprises (SMEs) in Uzbekistan to participate in export activities within the EAEU. SMEs can help diversify the export base [7] [8].
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