



WHAT WILL UZBEKISTAN GAIN BY JOINING THE WTO?

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Abstract

The topic of Uzbekistan's accession to the WTO is extremely important and relevant for Uzbekistan today. Foreign trade is currently one of the most important sectors of Uzbekistan economy, as it determines the dynamics of many macroeconomic parameters. And, the government's task in this regard is to create conditions for the further development of foreign economic relations and their effective use in order to increase the competitiveness of the economy and the living standards of the population. Furthermore, the consequences of joining the WTO are considered, various opinions on positive and negative statements on this issue are given, the impact on various sectors of the economy is presented.

Keywords: WTO, foreign direct investments, GATT, Uzbekistan, investment climate, international trade.

In 1948, the UN adopted the Charter of the ITO (International Trade Organization), which took into account employment agreements, laws against monopolies of concerns, as well as measures to protect domestic markets. However, the US Congress rejected the ITO, citing insufficient protection of investments by American banks and concerns. And in the same year, 1948, another organization was created and another agreement was adopted - GATT (General agreement on tariffs and trade, General Agreement on Tariffs and Trade, GATT)[1].

Created as a temporary organization, the GATT existed from 1948 to 1995, until it was transformed into the WTO. The organization's activities are carried out on the basis of 60 agreements - the main legal norms of international commerce and trade policy. The principles on which these agreements are based include non-discrimination (most favoured nation treatment and national treatment provision), freer terms of trade, promotion of competition and additional provisions for least developed countries. The purpose of the organization is to assist manufacturers of goods and services, exporters and importers in doing business[2].

Today, the WTO plays a fundamental role in the formation of flows and the establishment of rules for conducting international business. The WTO carries out total regulation of world trade in goods, services, intellectual property, fully forms the





trade policy of the countries that make up the organization and regulates trade disputes between them.

WTO membership is a pass to the world market. Such a step will make our products competitive or, conversely, bankrupt many domestic enterprises. Everything depends on the combat readiness of small and medium-sized businesses to resist global brands.

The basis of the WTO organization's activities is a kind of multilateral contract. It consists of at least 56 main agreements (approximately 30,000 pages) and is the world's largest agreement regulating trade in almost all types of goods and services. By concluding it, the State receives guarantees that its export products will not be subjected to any discrimination in the markets of other participants in exchange for similar obligations. Currently, approximately 95% of all world trade is carried out under WTO rules.

Joining a trade organization means obtaining a number of advantages:

- The formation of a predictable trade and investment environment,
- Strengthening the process of its integration into the world economy,
- Ensuring access to the world markets of uzbek goods and services,
- Reducing tariff and non-tariff barriers to trade in industrial and agricultural goods,
- Further liberalization of international trade,
- Creating conditions for free and fair competition;

In addition, a country can participate in the regulation of international trade in goods and services on the basis of uniform principles and rules, as well as in accordance with the norms of the country's trade legislation that complies with international norms and standards. WTO membership also makes it possible to use an effective multilateral mechanism for the settlement of trade disputes in foreign markets, including through the use of the organization as a "negotiating platform" for multilateral negotiations.

One of the advantages of the WTO is that governments expect to gain access to export markets at a more advanced level. At the same time, entry into the World Trade Organization does not affect the tariffs of MFN (Most Favored Nation) trading partners of a WTO member country. Consequently, the economic effect expected from entering the markets will, in principle, be achieved in the long term in return for the commitments made during trade negotiations. In the short term, the benefits can be achieved by rejecting trade discrimination measures against the partners of the incoming country.

The second source of economic effect is trust, predictability, security and transparency of government policy. It is clear that WTO membership implies a predictable business





environment and guarantees the investor that the accepted norms are irreversible. Attracting foreign direct investment is a critical long-term strategic goal of Uzbekistan to ensure the diversification of the national economy, boost exports and sustainable development.

Another of the main positive factors is the opening of new opportunities for access to world markets. A striking example is the city of Bangalore in India, which grew up on contracts of American corporations into one of the world's largest software development centers. It is no secret that WTO membership significantly increases the country's investment attractiveness, since one of the main principles of this organization is the principle of "transparency", that is, full openness of the country, transparency of the legislative framework. Naturally, foreigners who are confident in the security of their investments will be more willing to invest their money in the economy of this country.

It should be understood that barriers for our exporters in many markets will decrease. Within the WTO, we will be able to challenge such actions: we will have clear and understandable rules for foreign trade. It's no secret that the WTO has a fairly effective mechanism for resolving trade disputes. Everyone understands that in the end, due to Uzbekistan's accession to the WTO, consumers will benefit.

For a country with no direct access to the sea, it is an objective necessity to integrate into the international trade market. Therefore, joining the WTO is a necessary step towards increasing the competitiveness of domestic production. At the same time, given the unique business climate, WTO membership will be an additional investment advantage of Uzbekistan.

However, there are plenty of advantages of joining the WTO, some experts say that there may be some negative aspects as well. To confirm our concerns, we will give an example of the experience of Russia. The European Commission has initiated legal proceedings with Russia regarding the recycling fee for cars. This organization sharply limits the protectionist capabilities of countries to support their producers. The WTO employs specialists from countries that joined much earlier than Russia; moreover, this organization itself was created in the interests of those states that were among its very first founders. They are interested in making it impossible to take the steps that the Russian government has taken. Thus, Russia has no legal levers left to protect its own manufacturer. By signing the WTO accession agreement, the Russian side has hit the remnants of the domestic industry. Experts believe that the consequences of Russia's accession to the WTO will be reflected for many more years[3].

Russian experts say quite harshly that such consequences were predicted by Russia's best economists long before joining the WTO. They openly declare the incompetence





of government officials who voted for Russia's entry into the organization, thereby lobbying the interests of large Russian oligarchic raw materials capital, international financial speculators and transnational corporations. To the detriment of the tasks of neoindustrialization of the domestic economy, strategic nationalization of commanding heights and vertical integration of productive capital, labor and property.

So, specific indicators in numbers. Instead of intensification of the processes of technical re-equipment of production facilities, renewal of 70-80% worn-out fixed assets and the introduction of labor- and resource-saving technologies, there is an investment crisis in the country (the decline in capital investments in fixed assets in January-July 2013 amounted to 0.7% - the worst value since the last months of the crisis 2009). Instead of the inflow of productive foreign investments into the technical re-equipment of production facilities, there is an influx of foreign loans and loans (the amount of Russia's external debt from January 2012 to July 2013 jumped from 541.9 to 703.8 billion dollars, and the share of loans and loans in the structure of foreign investment inflows increased from 48% in 2000 to 97.2% in 2012.). Instead of attracting highly qualified and high-performance labor to vacant positions, there is an uncontrolled influx of low-skilled, cheap, disenfranchised labor from the underdeveloped republics of Central and even Southeast Asia, which provokes the degradation of the labor market, lower wages, lumpenization of Russian citizens, an increase in crime, drug addiction and the incidence of socially-related diseases (hepatitis, HIV, tuberculosis etc.), the erosion of the ethno-cultural balance, increased corruption and criminalization of economic relations, as well as the aggravation of ethnic hostility and social discontent[4].

We consider it simply necessary to draw your attention to the study of a Korean economist whose name is Chang Ha Jun. In conclusion of his book, he concludes that the United Kingdom and the United States used protectionism measures quite effectively during the period of economic development, new industrial countries supported their economies in a similar way during the period of industrial development[5]. That is why, within the framework of the WTO, corporations of rich countries convince poor countries, under the pretext of economic development, to act in the opposite direction to the one they themselves were moving.

Rich countries try to hide the fact that their own industrialization was carried out according to a protectionist model, where the state controlled trade, investment, subsidies. The success of the "Asian tigers" is also based on the strong role of the state in the economy, land reforms were carried out in China, Singapore, Malaysia, trade was strictly regulated, high customs barriers were put up to protect new industrial





sectors from foreign competition, strict control of monetary policy and capital flows was carried out, states subsidized investments in certain sectors of the economy.

Accession to the WTO is an integral step towards integration into the world community as a full participant in the multilateral trading system and bringing the legislation of the republic to the modern international level.

Summing up, it is necessary to seriously analyze all the possible consequences of Uzbekistan's accession to the World Trade Organization. It is necessary to involve scientists and specialists in this work, as has already been done in Russia, to inform the population about the progress and results of the WTO negotiation process, about the problems that we may face. After all, WTO rules will directly affect each of us: consumer and producer, exporter and importer. In general, it can be assumed that WTO membership will lead to an increase in the competitiveness of domestic enterprises and an increase in the quality of living standards of the population.

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