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NEXUS OF WTO ACCESSION AND ITS IMPACT ON THE ECONOMIC GROWTH OF UZBEKISTAN

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Abstract:
The nature of this research article is to review the existing literature on the nexus of the trade reforms and economic effects of Uzbekistan's WTO membership. The author commenced by searching for key articles on the economic impact of WTO accession via the JSTOR digital library, ScienceDirect, BASE Library Catalogue, and Google Scholar. The author also specifically searched for World Bank and WTO documents on this topic. In his search, the author has excluded a large number of articles focusing exclusively on China or Russia in order to avoid distorting the conclusions based on the unique experience of these countries. Since the WTO has existed only since 1995, all the literature on WTO accession appeared relatively recently, and the scope of the author's interests was naturally limited to the period from 2002 to 2017. When the author began to read and analyse these works, the author identified references to specific articles or books that seemed relevant to the research topic and also searched for those works. The author focuses on econometric models, which, whenever possible, draw conclusions based on historical data.

Keywords: WTO, Uzbekistan, economics, international relations.

INTRODUCTION

Since the 1990s, the economy of Uzbekistan has undergone major transformations. In addition to the effects of various unilateral economic reforms undertaken since 1991, the economy has had to reorient itself towards a changing multilateral trade discipline under the newly formulated General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) frameworks. Unilateral policy measures cover exchange rate policy, foreign investment, external borrowing, import licensing, import tariffs, and export subsidies. The multilateral aspect of Uzbekistan's trade policy relates to Uzbekistan's commitments to the WTO regarding trade in goods and services, trade-related investment measures and intellectual property rights.

Multilateral trade liberalization under the auspices of the Uruguay Round Agreement and the Doha Development Agenda aims to reduce tariff and non-tariff barriers to international trade. The purpose of this paper is to conduct a computational analysis of the impact of such changes in trade barriers on economic welfare, trade, and intersectoral distribution of resources in Uzbekistan and its major trading partners.

Liberal international trade policy is now widely recognized as an important part of growth and development policy. Growth, in turn, is the key to sustained poverty reduction. Trade liberalization is expected to boost production in Uzbekistan's labor-intensive sectors. Then productive resources will be distributed more efficiently than in the pre-liberal period since Uzbekistan will specialize in those sectors in which it has a comparative advantage. Of course, there may be transition costs arising from the interindustry movement of factors of production. In addition to these welfare gains, trade liberalization is expected to have a stimulating effect on domestic firms, resulting in additional benefits from economies of scale. When firms are protected from foreign competition by tariff and non-tariff barriers, they can exercise their bargaining power by raising prices and reducing domestic sales.

As a result, protected firms can produce below their minimum cost-effective plant size. Thus, trade liberalization should bring competitive pressure on previously protected firms to increase production and productivity, as well as achieve more efficient plant sizes and lower unit costs. Thus, increased economic welfare is expected to come from a more efficient allocation of resources, as well as from lower prices and more variety available to consumers and firms. The realization of economies of scale in production also enhances the welfare effect.

One of the important and contentious issues in the forthcoming multilateral trade negotiations of the World Trade Organization (WTO) is whether a multilateral investment framework should be established. The industrialized countries are seeking an agreement that would give foreign investors practically unlimited rights to invest in all sectors of the host country's economy and would provide these investors with the same treatment as investors from the host country. However, many developing countries, including Uzbekistan, are wary of such requirements. They are concerned that multinational firms may adversely affect the development of domestic firms and otherwise exploit them for economic

purposes. For effective negotiations, it is important to understand the economic role of foreign direct investment (FDI) for developing countries in general and in Uzbekistan in particular.
The two major contentious issues are:

- Does FDI crowd out or increase domestic private investment through various forward and backward linkages with domestic firms?
- Does FDI increase gross domestic product (GDP) growth by creating jobs, increasing exports, and introducing new management and production practices, or does it slow down GDP growth in the long run by taking excessive profits from the developing country?

Gradual trade liberalization will inevitably be linked to WTO accession once the government completes this process. Further regional trade cooperation will also increase trade flows and lead to better jobs and higher productivity.
However, opening up to regional and global trade requires more than just lowering high levels of import tariffs. An even bigger problem can be non-tariff trade barriers, including burdensome domestic regulations. Improving the business climate through deregulation will create a more dynamic business environment that will enable faster company growth, attract more FDI and create more quality jobs. A single public-private or private agency could help expand the export opportunities of domestic enterprises and attract investors by conducting research on new market opportunities, measuring export capacities, and assisting in all aspects of regulating the establishment of a new enterprise in Uzbekistan. Increased investment in transport infrastructure, human capital development, and research and innovation will enhance the competitiveness and diversity of the Uzbek economy.

MAIN BODY

Uzbekistan has also become active in trade policy. The average tariff rate as of July 2017 was 30% (International Trade Administration 2017), one of the highest rates in the world. There are signs that the government intends to seek the integration of the Uzbek economy into world markets. The most significant in this regard is the resumption of negotiations on Uzbekistan's accession to the World Trade Organization. In addition, Uzbekistan minimized the import taxes on more than a thousand items in 2017. In 2018, the authorities eliminated import duties on vehicles for the transport of agricultural products, electric vehicles and cars manufactured no older than 2 years ago and worth more than $40,000. In 2022, a more gradual reduction in tariffs on cars and other goods is expected. Furthermore, Uzbekistan plans to eliminate tariffs on textile imports from the European Union.

Table 1.1: Ease of Doing Business Rankings, Uzbekistan, 2016 and 2020

Category	Doing Business Rank	
	2016	2020
Ease of doing business rank	87	69
Starting a business	42	8
Dealing with construction permits	151	132
Getting electricity	112	36
Registering property	87	72
Getting credit	42	67
Protecting minority investors	88	37
Paying taxes	115	69
Trading across borders	159	152
Enforcing contracts	32	22
Resolving insolvency	75	100

Note: Rank 1 is the highest, 190 is the lowest.
Source: World Bank (2020).

Uzbekistan's active participation in trade has increased significantly. A year after the unification of the exchange rate, exports increased by 23%, and food exports increased by 45%. Imports grew even faster, by 40%. On the financial front, exchange rate liberalization has facilitated more than $1 billion in loan agreements with the European Bank for Reconstruction and Development and several German banks; loans are aimed at supporting infrastructure and small business projects (Tsereteli, 2018).
A key macroeconomic issue for Uzbekistan at present is the transformation of rising unemployment into more inclusive economic growth. This means that creating quality employment opportunities for all Uzbeks should be a top priority. Recent trends in this regard are worrisome as employment growth is historically low and agricultural and manufactured exports are declining. Reliance on the resource sector will not create enough jobs and keep the economy vulnerable to external shocks. Instead, it is necessary to develop private business in the non-commodity sector and diversify exports.
The current political reforms are needed and are being implemented at a critical time. The removal of foreign exchange restrictions has led to a significant improvement in the investment climate. Other measures, such as tax reform and the removal of many import tariffs, promise further improvements. However, reform efforts may not reach the full positive impact on the economy unless the government takes further action on three additional fronts.

The first concerns improving firms' access to finance. Even the best investment climate will not help if enterprises cannot find funds to finance their projects. A recent World Bank study (Table 1.2) shows that this is a significant problem for both large and small firms. In the Doing Business survey, getting credit is one of the few areas where Uzbekistan ranks 67th in 2020, worse than in 2016 when it was 42nd (Table 1.1). Thus, the solution to this problem should be one of the priorities of the reform program. It is important to draw attention to small and medium businesses as they make up 53.3% of GDP and 78.3% of total employment in 2017.

Table 1.2: Ranking of Barriers to Creating Employment, Uzbekistan Enterprise Survey, 2017

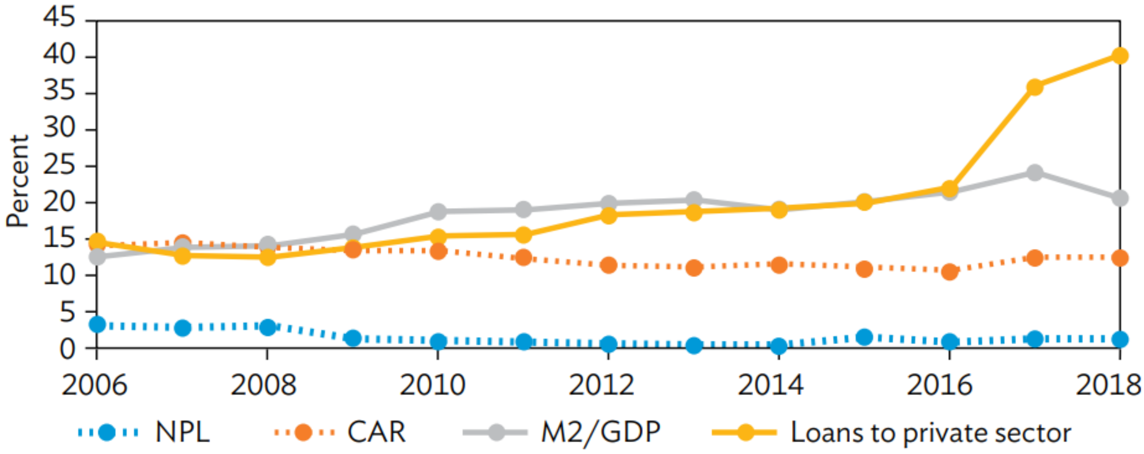
	Barrier	Rank by firms	
		Large	Small
1	Lack of access to foreign exchange	1	2
2	Lack of access to raw materials on domestic market	3	1
3	Lack of access to skilled personnel	2	4
4	Too high payroll taxes (social payments) and personal income taxes	5	3
5	Demand limitations	4	6
6	Lack of access to bank credit	6	5
7	Difficult to find good human resource manager	7	9
8	We need more staff, but don't want to exceed the number to remain in "unified taxation" system	10	7
9	Firm offers low wage/no social package: can't attract/retain skilled staff	8	10
10	Lack of workers mobility	12	8
11	We reduce employment or transfer to partial/part time workers	9	13
12	Difficult procedures for hiring personnel	11	11
13	We increase employment when necessary, but do it unofficially	13	12

Note: Large firms were surveyed in the spring of 2017 and small firms were surveyed in July–September 2017.
Source: World Bank's Macroeconomics, Trade and Investment Global Practice surveys conducted for Uzbekistan Growth Diagnostics (World Bank 2018).

The financial system is now dominated by state-owned banks, often with close relationships with state-owned enterprises in that directed lending and interest rate subsidies are used to support priority areas. State-owned banks account for over 75% of banking sector assets (Reuters 2015). The government is aware of the need to develop and modernize the financial sector so that it can play a more effective role in financial intermediation, which means reducing dependence on financial control and moving towards a more market-based system for distributing funds.

The banking sector is largely resilient to shocks. The bulk of loans in Uzbek banks originate from domestic financing, which helped minimize the impact of the exchange rate devaluation in September 2017 on loan repayments. The sector's capitalization has remained broadly stable thanks to government capital injections, which have increased since the 2008–2009 global financial crisis. In recent years, all banks have had a capital adequacy ratio (capital to total assets) of 11–15%, and despite a significant acceleration in lending, the ratio of non-performing loans to total loans has been low at around 3% or less.

Selected Banking Indicators, Uzbekistan, 2006–2018
(%)



CAR = capital adequacy ratio, GDP = gross domestic product, NPL = nonperforming loan.
Note: The CAR is computed based on total assets (instead of risk-weighted assets).
Sources: Data and computations for M2 to GDP ratio and loans to GDP ratio are based on ADB (2018); other data are from the World Bank. World Development Indicators. http://www.databank.worldbank.org (accessed 11 November 2019).

The second priority area for future reforms should be increased competition in the market. As also suggested by the International Monetary Fund (2018), the government should take an active role in reducing monopoly practices and abandon any remaining price controls. The latter was widely used and affected such important commodities as cotton, the producer prices of which were kept well below world market levels. Similarly, energy and water prices have been kept below opportunity costs.

Competition increases the productivity of firms and thus stimulates economic growth. In addition, it moves labor to high-performing firms, which in turn leads to higher wages (Beegle et al., 2012). So, contrary to what is often feared, increased competition leads not only to more but to better jobs. However, an integral part of this progress is the reduction of low-productivity jobs as productivity rises sharply and monopoly firms lose their bargaining power. Thus, the net effect on total employment may be negative in the short term. However, increased competition will soon pay off. There is empirical evidence that this negative employment impact is reversed within 1 year (Beagle et al. 2012).

In terms of infrastructure, Uzbekistan, as a landlocked country, faces its inherent geographical lack of access to world markets. Indeed, "trading across borders" is the metric by which a country ranks worst in the 2020 Doing Business survey (152nd) (Table 1.1). The cost of border-crossing transport is higher than in neighboring countries. The Centre for Economic Research (2013) estimates transport costs (depending on the cargo) to range from 15-20% to 60-70% of the value of the cargo for export, which is significantly higher than 5-7% to the EU countries. To overcome these obstacles, both rail and road communications need to be seriously improved. According to 2015 data, about 36% of railway lines have been electrified, while local and regional roads are in need of major repairs (World Bank, 2014).

In terms of regional cooperation, Uzbekistan is a member of the Commonwealth of Independent States (CIS), an organization formed by the countries of the former Soviet Union at the end of 1991. The initial goals of the creation of the organization were to support free trade and the movement of people, protect human rights and prevent armed conflicts in the CIS. However, integration began to falter due to large differences between the economy and territorial potential of the Russian Federation compared to other member states (Kononchuk, 2007).

Recently, the role of trade and investment between Uzbekistan and the European Union (EU) has been increasing. This was facilitated by the signing in 1996 of a bilateral Partnership and Cooperation Agreement, which offered Uzbekistan a Generalized System of Preferences. Other Central Asian economies, including the Kyrgyz Republic and Tajikistan, also benefit from bilateral agreements with the EU. Uzbekistan benefits the least from free trade agreements with the EU because it is not a member of the WTO and has not completed its market reforms. Pending reforms include state-owned enterprise restructuring and privatization; increased banking competition and liberalization of interest rates; removing entry and exit barriers; and reducing subsidies for food, energy, and water

RESEARCH AND DISCUSSION: WTO AND UZBEKISTAN.

How do countries join the WTO?

Countries join the WTO through the accession process, whereby existing members and the acceding country agree on a range of reforms, from tariffs and other market access commitments to domestic rule and policy commitments that

the acceding country will make in order to accede to WTO rules. The Marrakesh Agreement which established the WTO under the GATT discusses new accessions to the multilateral body in Article XII (World Trade Organization, 2017b). A country (or separate customs territory) accepts the WTO "on terms to be agreed between State and the WTO" (World Trade Organization, 2017b). In response to this ambiguity, the WTO Secretariat has developed additional guidelines and a consistent set of procedures, including:
(a) the establishment of a Working Group;
(b) a memorandum from the applicant country detailing its foreign trade regime;
(c) negotiations, both bilateral and multilateral, as appropriate, on schedules for specific commitments for goods and services;
(d) The Report of the Working Group on the discussions, the draft Decision, and the Protocol of Accession must be approved by the existing members (World Trade Organization, 1995).
While the guidelines require a two-thirds majority of WTO members to approve a new member, in practice the rule of unanimity prevails, which governs much of the WTO's activities (Cattaneo and Primo Braga, 2009).

Why should countries join the WTO?

Bagwell and Staiger (2002) provide an economic argument for the existence of the GATT/WTO as a whole; they argue that apart from any political considerations, the GATT/WTO is designed to solve the "terms of trade prisoners' dilemma" between large countries (p. 13). In this prisoner's predicament, substantial countries influence the world prices in their favor through tariffs and non-tariff barriers (NTBs), and they implement safeguards which in turn leads to enhancing own prosperity at the expense of others' (Bagwell & Staiger, 2002). According to Bagwell and Steiger (2002), GATT/WTO creates a system based on guidelines of reciprocity and enforcement (through allowable retaliation) whereby major countries consider tariff reductions mutually beneficial. These principles encourage trade by effectively perpetuating liberalization policies and low tariffs, removing the main incentive to play the system (Bagwell & Staiger, 2002).
WTO membership is, in the words of the organization, "a balance of rights and obligations" (World Trade Organization, 2017e). Now the WTO claims more than 160 members, and each of them can have its own membership. Cattaneo and Primo Braga (2009) outlined some of the fundamental rights that members enjoy, including improved market access in the form of most favored nation treatment (MFN), protection from special protectionist measures by other members, place at the international trade rule-making table, and access to the WTO dispute settlement mechanism. These rights are often enough to attract membership.
Oddly enough, the "commitment" of WTO members can also be a reason to join; Cattaneo and Primo Braga (2009) note that countries can use WTO commitments to pursue more effective trade policies, reinforce business environment reforms, demonstrate reform commitment to other countries, and demonstrate a desire for global cooperation.
Evenett and Primo Braga (2005) refer to this cue as a "sign of approval" that helps to attract foreign investors (p. 1). Existing members also have incentives for non-WTO members to join, including export opportunities and market access, protecting their investors abroad, and reducing exposure to protectionist pressures abroad (Cattaneo and Primo Braga, 2009).

What obstacles do developing countries face when joining the WTO?

The length of the accession process can vary greatly from country to country. The Republic of Kyrgyzstan joined WTO in less than 3 years after the initial application, while the Seychelles accession procedure took nearly 20 years (WTO, 2017a; WTO, 2017c). Chemutai and Escaith (2017) found that WTO accession took an average of 12.75 years for least developed countries (LDCs), compared with 9.5 years for other countries. Cattaneo and Primo Braga (2009) scrutinize obstacles that new members, especially developing countries, face in the accession process. As the scope of the WTO expands, so does the list of topics consider upon entry. As existing members continue to cut tariffs and remove barriers to sensitive sectors such as agriculture, their requirements for new members may be higher. Evenett and Primo Braga (2005) discover evidence that the "cost" of membership with regard to market access obligations for economic consumption is rising rapidly, and the regulation that countries consent to undertake when joining the WTO appears to be very country-specific, without extensive trend. Increasingly, new members are also taking on WTO-plus and WTO-minus commitments, whereby they agree to increase commitments or forfeit rights, respectively, to demonstrate commitment to reform.
In addition to changing market access and compliance expectations, the accession process itself can be challenging for new entrants, especially developing countries. Cattaneo and Primo Braga (2009) note that the accession process drains the resources of acceding countries, both in terms of budget and staffing. The lengthy and onerous procedure necessitates governments to be conversant with different goals and familiarity with WTO procedures and obligations (Cattaneo and Primo Braga, 2009). Governments' obscurity precludes their engagement with civil society and the private sector. (Cattaneo and Primo Braga, 2009). Evenette and Primo Braga (2005) offer developing countries some recommendations that can help "push the cost-benefit ratio in a development-friendly direction", suggesting that the developing countries that accede develop overarching priorities around the key sectors in need of reform, plan a long process, Enlist the support of the private sector, quickly identify areas that require technical assistance from developed countries, and engage in South-South learning with countries that have already gone through the process (p. 6).

Does WTO accession affect economic growth or poverty?

Accession to the WTO can boost economic growth in a variety of ways. According to a joint report by the World Bank and WTO (2015), trade openness brought about by the WTO can stimulate economic growth in developing countries by helping them to improve the efficiency of resource allocation, exploit comparative advantages and stimulate growth among the most global countries. competitive industries and domestic firms. Trade openness also provides greater economies of scale, impacts returns on investment (a closed economy may face falling rates of return on investment), creates new sources of demand for other developing countries, and gives companies access to resources not available domestically to help increase productivity (World Bank and World Trade Organization, 2015, pp. 19-23). Accession involves trade reform that encourages efficiency in the use and allocation of resources and stimulates long-term economic growth. Accession can also be part of a range of policy measures that create more efficient and competitive markets and make policies more transparent and predictable (Winters, 2002).

Many other scholars explore the impact of WTO accession on economic growth, but focus on intermediate variables such as trade, exports, total factor productivity, or foreign investment, believing that the impact of the WTO should be most directly and strongly manifested in them (Chemutai & Escaith, 2017). In addition to the direct impact of trade liberalization on trade volumes, external commitment to the WTO has a stronger impact on economic growth than unilateral domestic reforms, as it has much higher cancellation costs than domestic ones. politicians. At the same time, the benefits of WTO membership, such as access to external markets or cheaper imports, can be used to "buy" political support from those who were initially opposed to these market reforms. Because WTO encourages a robust political will to support trade liberalization reforms, it has a hefty impact on economic growth than reforms alone (Tang & Wei, 2009).

In theory, WTO membership could also help developing countries reduce poverty. The WTO (2017) suggests that many of its treaties and agreements are directly linked to the United Nations Sustainable Development Goals (SDGs). For example, SDG 17 on strengthening the global partnership for sustainable development contains a separate section on trade, including a commitment to promote a "universal, rules-based, open, non-discriminatory and egalitarian reciprocal trading system" within the WTO (WTO, 2017). In particular, under SDG 17, the UN hopes to increase the exports of developing countries, in particular with the aim of doubling the share of LDCs in world exports by 2020, in order to provide duty-free and quota-free market access on a long-term basis in a timely manner. framework for all LDCs, as well as facilitate market access, which is most easily achieved through the WTO.

WTO institutions promote free trade in green goods and services (SDG 7 on affordable, reliable, sustainable, and modern energy), attempts to end trade restrictions and distortions in global agricultural markets (SDG 2 on hunger, food security, nutrition, and sustainable agriculture) and intellectual property rights for essential medicines and vaccines in accordance with the TRIPS agreement (SDG 3 on healthy lifestyles and well-being). The WTO (2017) also claims that its treaties and agreements contribute to the achievement of SDG 8 on economic growth, employment, and work, SDG 10 on inequality within and between countries, SDG 12 on sustainable patterns of consumption and production, and SDG 14 on the oceans. seas and marine resources. WTO accession is negotiated on a case-by-case basis, allowing developing countries to tailor their commitments to their own policy priorities, including poverty reduction. The WTO also includes institutions dealing with developing countries and poverty reduction, such as the Committee on Trade and Development, Trade Facilitation, and the Trade Facilitation Agreement Facility (World Bank and World Trade Organization, 2015)

Sectoral impacts of WTO accession

Theoretical impacts on the manufacturing sector.

The model of Francois et al. (2005) predicted the impact of the Doha Development Agenda on developing countries. They found that because industrialized countries liberalized trade in manufactured goods in the past while protecting agriculture and processed foods, they benefited more from WTO membership than developing countries, which protected all commodities, including manufactured goods and agriculture. They wrote: "The underlying pattern is that industrialized countries protect agriculture and processed foods, while protection in developing countries is more balanced (albeit higher overall) for food and non-food manufactured goods" (p. 360). Their model shows that developing countries will benefit only modestly from the Doha Round if they fail to liberalize their own barriers, including barriers to producers, but trade facilitation and trade in services aspects of the Doha Round will bring significant benefits to developing countries.

In contrast, Hertel et al. (2003) built models specifically for the economies of Chile, Malawi, and Vietnam and find that the Doha Round will have a divergent impact on the manufacturing sector in each country. With the expected liberalization of trade in agricultural commodities, industrial goods, and services, Vietnam's manufacturing sector is benefiting the most as the production of light goods (such as clothing and textiles) expands in response to changes in employment and tariff cuts from its trading partners (Hertel et al., 2003). Since the gains from trade will be focused on unskilled labor-intensive industries, the Vietnamese model shows the largest reduction in long-term poverty of 12% (Hertel et al., 2003).

Theoretical impact on the agricultural sector.

The theoretical impact of the Doha Round on developing countries differs depending on the relative size of their agricultural sectors, the structure of their agricultural sectors, and their status as net food exporters or importers. In the models of Hertel et al. (2003), the impact of trade in Chile and Malawi is felt mainly in the agricultural sector as prices have risen. The authors show that in Chile and Malawi, the benefits of higher agricultural prices will go mostly to landowners, weakening their long-term impact on poverty reduction (Hertel et al., 2003). The model of Francois et al. (2005) stipulates that if developed countries cease their agricultural subsidies, world food prices will increase. The reverberation on emerging economies is worthwhile for agricultural net food exporters but negative for net food importers (Francois et al., 2005).

Benefits for the manufacturing sector.

O'Neil (2016) finds that exporters of secondary goods (manufacturing and other processed products) and importers of commodities (non-fuel goods) experience the largest growth in the number of trading partners and trade volumes since WTO accession. A probit model was practiced based on bilateral trade data from 1964 to 2014 to understand changes in the number of trading partners, and a gravity model of the same data to understand the number of exports or imports. O'Neill concludes that:

"WTO membership is more beneficial for countries exporting or preparing to export in secondary sectors than in primary ones. For importers, it is less clear who wins more. While it may be advantageous for consumers to buy cheaper primary-sector goods abroad if the country lacks more advanced domestic industries, such competition can be detrimental to the domestic economy, especially if foreign goods are subsidized" (p. 11).

Similarly, Subramanian and Wei (2007) concluded that WTO membership contributed most to the development of trade in manufacturing and did not affect trade in clothing, footwear, and foodstuffs. The authors argue that these uneven gains from trade liberalization have several potential causes. Developed countries liberalized more under GATT, and they did so mainly in sectors important to their exporters (manufacturing), with no liberalization in sectors important to developing countries (agriculture, footwear, clothing) (Subramanian & Wei, 2007). In addition, many developing countries that joined the GATT between 1948 and 1994 automatically joined without reducing their trade barriers to the same extent as developed countries and therefore receive a smaller share of the benefits of trade liberalization (Subramanian & Wei, 2007).

Benefits for the export-import sector.

Buono and Lalanne (2012) consider only manufacturing firms and find that the Uruguay Trade Liberalization Round benefited French firms that were already exporting manufactured goods, but did not encourage new firms to start exporting even if they were in the same industry. The analysis focuses only on France because the researchers had access to a detailed customs database of export data by a firm for 57 sectors and 147 countries from 1993 to 2002. in tariffs does not encourage firms to export. WTO membership did not affect the number of exporting firms and the range of goods exported, but incumbent exporters increased their shipments (Buono & Lalanne, 2012). The article questions the results of other scholars who focus on the impact at the industry level across countries if the impact on individual firms in the same country and within the same industry is so clearly different.

In almost complete contrast to the results of Buono and Lalanne, who suggested that WTO accession only benefited current exporters with large exports, Dutt et al. (2013) found that WTO membership increased the growth of new goods but reduced trade-in already sold goods. Dutt et al. found that countries traded 25% more types of goods, meaning they increased the variety of their exports. At the same time, the average number of exports per unit of output decreased. This demonstrates that WTO accession expands the diversity of traded goods, leading to increased productivity and welfare for new members.

Deb and Biswas (2017) carried out an industry analysis of India and discovered that import-intensive industries such as machinery and electronics benefited most from WTO membership in 1995. They also found that the rubber and metal sectors gained significant gain from trade. In contrast, the Indian chemical and wood products industry has benefited the least from trade since WTO accession. Their model shows that it can be difficult to classify trading gains and losses into broader sectors such as commodities and manufacturing, or primary and secondary sectors.

Benefits for the agricultural sector.

In general, trade in agricultural commodities is currently unlikely to increase after WTO accession than the trade-in industrial commodities. Agricultural commodities are a type of primary commodity in O'Neill's (2016) model. She believes that while countries that have exported primary goods and imported secondary goods have indeed benefited from WTO membership, they do not benefit as much as industrialized countries that export secondary goods. Subramanian and Wey's (2007) model also finds no benefit to the food trade from WTO membership.

The impact of WTO accession on the business environment, investment policy, and income structure.

Accession to the WTO may affect the business environment, governance, and income structure of acceding member countries. Mansfield and Reinhardt (2008) argue that WTO membership can indirectly benefit the business environment and governance by reducing trade volatility by enforcing market access commitments, curbing new protectionist barriers, promoting transparency and policy convergence among member states, and maintaining price stability to encourage cross-selling. border trade. Handley and Limao (2016) suggest that China's accession to the WTO in 2001 reduced the threat of a global trade war to the benefit of China, the US, and smaller WTO members. Shah (2017) argues that WTO accession can reduce or eliminate market distortions such as local content requirements or high tariffs, which increase the attractiveness of a developing country as a destination for foreign direct investment.

Another area of literature on WTO accession concerns the revision of policies required for WTO accession. Sovet (2016) explores the industrial policy options that countries can choose to phase out their local content requirements, which they are required to do after joining the WTO. It suggests that new members may pursue policies that require foreign business investors to engage in technology transfer, meet research and development spending requirements, participate in joint ventures, train and build the capacity of their local partners, or implement corporate social responsibility programs. Thus, the new member still receives technology transfers and other indirect trade benefits that are designed to meet local content requirements, but without compromising any of the potential benefits of WTO membership (Sauvé, 2016).

Similarly, Erbrill et al. (2002) suggest that trade liberalization can be designed in such a way that it does not necessarily lead to losses in government revenue despite tariff cuts. In their study of various types of trade liberalization, they argued that replacing non-tariff barriers with tariffs, removing tariff incentives, and eliminating trade-related subsidies all increase government revenues. Only moderate or low tariff cuts are likely to lead to a reduction in government revenue (Erbrill et al., 2002). They recommended that a country seeking to liberalize trade start by taking measures that would have a positive impact on government revenues.

Some scholars consider the impact of WTO accession along with other domestic reforms. In a study specifically focused on Belarus, Balistreri et al. (2017) believe that privatization reform has a much stronger potential impact than WTO accession. Their study shows that Belarus can expect a welfare gain of 2.4% of its GDP from WTO accession, but domestic privatization reforms will have a much larger impact of 17.4% of GDP. On this occasion, state reforms would positively impact the economy rather than WTO membership (Balistreri et al., 2017).

Scholars have found evidence that, with appropriate qualifications, WTO membership reduces trade volatility, promotes economic growth in countries with weak governance, encourages foreign direct investment, and can have an impact on corruption and governance.

Available evidence suggests that WTO membership makes international trade policy and transactions more predictable, attracting more trade and foreign direct investment. Tang and Wei (2009) find that WTO membership has contributed more to economic growth in developing countries with weak governance.

CONCLUSION AND RECOMMENDATIONS

Evidence shows that positive outcomes often depend on the depth of a country's own commitment. It is shown that WTO accession increases the growth rate of an emerging economy by about 5 years if the country goes through strict accession procedures, which has a long-term positive impact on the size of the country's economy. The more a country is committed to liberalizing its trade, the more likely it is that trade will grow after WTO accession. The effects of WTO accession are likely to be unevenly distributed within a country, and the effects differ between countries with different resource endowments and comparative advantages. WTO membership can also positively impact the business environment and help attract foreign direct investment through greater predictability and better governance.

Uzbekistan falls behind its neighbors in exploiting the benefits of global trade, as evidenced by its lower trade-to-GDP ratio, higher import tariffs, and lower FDI inflows compared to other Central Asian countries. The results show that both the government and the market limit the growth of exports and imports; investments; and hence the creation of jobs. This section discusses some policy recommendations to address these limitations.

Improved market access to open up global trade. Uzbekistan's trade policy remains the most restrictive in the Central Asian region. The weighted average import tariff rate is still high compared to the average rates for Kazakhstan, the Kyrgyz Republic, and Tajikistan. In terms of product classification, the highest import tariffs are set for the apparel and textile industries, such as footwear, leather, and fur, which were among the top exports in 2016. As the average level of applied tariffs worldwide has fallen by one to three places over the past 2 decades, Uzbekistan is missing out on an opportunity to trade more freely with other countries. Reducing high levels of import tariffs excises on imported goods, and non-tariff barriers will allow Uzbekistan to access better, cheaper imports, which is likely to improve the productivity of domestic firms. Higher productivity, in turn, encourages many firms to start exporting. Thus, trade liberalization will stimulate the growth of companies and trade, which in turn will create new jobs in the economy.

Greater participation in regional integration to promote trade, FDI, and job creation. An important step towards trade facilitation is participation in regional and international agreements, including the Eurasian Economic Union and the WTO. To do this, it is necessary to speed up the negotiation process on accession to the WTO. Secondly, more active participation in regional integration is needed to harmonize and coordinate the overall liberalization policy. The lack of regional cooperation on trade facilitation measures is holding back international integration with important trading blocs such as the EU, where significant growth could be achieved. Although multilateral trade agreements usually take a long time, progress can be made by starting with bilateral trade agreements with a number of countries. Further trade integration and increased trade flows resulting from such agreements will lead to more FDI and improve the business climate to attract more FDI and create new jobs.

Improving the business climate to attract more FDI and create new jobs

To ensure the success of regional integration, it is necessary to pursue an open trade policy, coupled with the strengthening of the institutional framework that supports a dynamic business environment. The business climate needs to be improved, including the simplification of procedures for issuing licenses and permits, reducing the time for foreign currency conversion. An analysis of firm size indicates a less skewed distribution of firms in Uzbekistan than in developed countries. This suggests that there are constraints to firm growth, such as access to finance, access to global markets, and a lack of good management practices that prevent firms from taking full advantage of economies of scale. It would be useful to document such barriers through business surveys. This will highlight key issues related to business regulation and non-tariff barriers. Deregulation could be a way to create a dynamic business environment that allows firms to grow and create jobs.

Establishment of a single investment and export promotion agency to spread business opportunities.

The fact that Uzbekistan attracts fewer FDI inflows than any other Central Asian economy suggests that the government needs to conduct a survey of existing and potential investors to understand their negative perception of Uzbekistan. There is a need to improve coordination between government agencies, foreign investors, and domestic enterprises to promote investment opportunities and assist enterprises in realizing their export plans, as also suggested by the World Bank (2018). The creation of a single public-private or private agency could help expand export opportunities for domestic enterprises and attract investors by conducting research on new markets, assessing export opportunities, and assisting in all aspects of regulating the creation of a new project in Uzbekistan.

Improving the transport and logistics infrastructure to increase trade flows.

The analysis of the gravity equation highlights the important role of transport costs and therefore the degree and quality of Uzbekistan's transit, logistics, and infrastructure, which are among the lowest in Central Asia. This suggests that transit services should become more important in Uzbekistan.

economy, a push is needed for a cross-border investment to improve transport infrastructure. In this context, BRI can play a significant role in improving the country's transport and logistics infrastructure. Modern infrastructure will help to use the central location of Uzbekistan in the region and reduce transit costs, increase access to markets and integrate domestic markets with foreign ones.

Investment in human capital development, innovation, and research.

Investment in human capital, research and development (R&D) is necessary for several reasons. First, exports in Uzbekistan are concentrated in low value-added products and resource-extracting industries, indicating a lack of entrepreneurial and innovative activity. Second, a large proportion of the working-age population is low-skilled or lacks the skills most in-demand on the market (World Bank, 2018). Third, Uzbekistan invests very little in R&D, accounting for just 0.19% of GDP in 2017, one of the lowest rates in the world (World Bank. World Development Indicators 2019). Most importantly, opening up to both trade and FDI will ensure that domestic firms compete with foreign firms that are larger, have higher labor productivity, and have more capital per worker. Increasing focus on research and development, innovation, and skills development will lead industries to improve their technology and hire better-trained workers. This, in turn, will increase domestic competitiveness and create new and higher-quality jobs in line with global market trends worldwide.

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