

The Republic of Uzbekistan and the Eurasian Economic Union: integration opportunities

Nabi Ziyadullaev

*Honored Scientist of the Russian Federation, Corresponding Member of the Academy of Sciences of Uzbekistan,
Chief Researcher, Market Economy Institute, RAS(Moscow)*

Ulugbek Ziyadullaev

*PhD in Economics, Head of Ipak Yuli Bank Branch
(Tashkent, Republic of Uzbekistan)*

NabiS. Ziyadullaev

Doct. Sc. (Economics), Professor, Honored Scientist of the RF, chief researcher, Market economy institute, RAS (Moscow)

Ulugbek S. Ziyadullaev

PhD in Economics, Manager of the Branch of the Innovation Bank Ipak Yuli (Tashkent, Uzbekistan), doctoral candidate, Market Economy Institute, RAS (Moscow)

Abstract. *The article reveals the features of international trade, economic and integration priorities of the Republic of Uzbekistan. The conceptual approaches to joining the WTO, diversification of the geography and structure of foreign trade, as well as the expansion of foreign economic cooperation with world and regional powers, the CIS countries and Central Asia are substantiated. Particular attention is paid to risks and building vectors of effective interaction with the Eurasian Economic Union (EAEU), as well as mitigating the consequences of the coronavirus pandemic on the national economy.*

Keywords: *Eurasian and regional integration, foreign economic relations, economies of developing countries, foreign trade, WTO, CIS, EAEU, Republic of Uzbekistan.*

Republic of Uzbekistan on the way to the WTO

The Republic of Uzbekistan today implements ambitious socio-economic reforms, turning into one of the advanced CIS countries with an open economy. For the first time in the last 30 years, new inherently foreign economic relations are clearly built based on pragmatism and the most flexible use of modern realities and national interests. Earlier, Uzbekistan constantly changed the vectors of international cooperation, while retaining the ability to balance its own interests between global players in Central Asia - Russia, China, the USA and the EU - then strengthening or weakening one or another vector of its policy, now it has developed a science-based strategy ensuring economic security, taking into account its competitive advantages and its own national priorities, actively diversifying its foreign economic relations.

Uzbekistan emphasized that it kept a certain distance from the main integration projects in the post-Soviet space, adhered to the logic of not joining any associations, whether defense or economic, and emphasized the support of the domestic producer based on the domestic market. Inconsistent foreign economic policy - from focusing on economic cooperation either to China or Turkey, then to Russia or the United States, to completely concentrate on internal problems with the introduction of restrictions for business entities regarding the development

of economic relations with foreign countries. The country either entered the integration associations of various formats, or increased conflicts with neighboring countries. The accession of Uzbekistan in 2011 to the CIS free trade zone was considered sufficient.

Such a model made it possible to maintain moderate isolationism, not to depend on global conditions, political moods and changes among trading partners. At the same time, such a strategy objectively had serious growth constraints. The domestic market of Uzbekistan, although it has a noticeable capacity, but still has natural limits that limit the potential for further economic growth. Obviously, without export support and access to new markets, significant economic growth cannot be achieved. The new president almost immediately announced a serious reload of the foreign policy and foreign economic strategy in order to create favorable conditions for the export of goods, first to neighboring countries in the Central Asian region and Russia, and then to more distant markets.

The economic potential of the Republic of Uzbekistan is based on the availability of natural resources, minerals, an increasing population, which at the beginning of 2020 amounted to more than 34 million people, significant foreign exchange reserves, as well as a potentially capacious demand market¹. The country has real prerequisites for the accelerated development of the agro-industrial sector and processing industries, which serve as important sources of export products. In the production of cotton fiber, silk cocoons, astrakhan, wool, fruits and vegetables, fruits and grapes, the country occupies leading positions not only in the CIS, but also on world sites.

Uzbekistan occupies an advantageous geostrategic position in Central Asia from the position of establishing international economic ties. It has great transit potential for establishing beneficial transport and economic ties between neighboring states. The historical Great Silk Road, connecting East and West, passes through the territory of the republic, the paths leading from Europe and the Middle East to the Asia-Pacific region intersect here. In Uzbekistan, there are objects of architectural and historical heritage of global importance, as well as attractive ecosystems, which can contribute to the successful development of the modern tourism industry. These are the parameters that need to be converted into sustainable economic growth through the production of many types of industrial products, diversification of their product range, expansion of exports and the development of import-substituting industries and foreign trade relations. The new strategy for the development of the economy of Uzbekistan involves modernization with a phased transformation from import-substituting into an export-oriented economy.

Various formats of international cooperation in all sectors of the national economy, including the sphere of trade, are being carefully studied. An active dialogue has begun on the country's accession to the World Trade Organization. The first application for accession to the WTO was filed in 1994, a working group was created back in 1998, but since the mid-2000s. her meetings with international experts were suspended. The process of accession of the Republic to the WTO started again in July 2019, when the Uzbek side submitted to the WTO an updated memorandum on the foreign trade regime to consider the application for the country's accession to the organization². In March 2020, Uzbekistan and the United States discussed the cancellation of the 1974 "Jackson-Vanik" Amendment to the United States Trade Act, "which is contrary to the WTO fundamental rules to ensure a" most-favored-trade regime"³, as well as interaction within the fourth working meeting groups on Uzbekistan's

¹<https://uz.sputniknews.ru/society/20200218/13489405/Chislennost-naseleniya-Uzbekistana-prevysila-34-milliona.html>

²<https://1prime.ru/News/20191111/830533397.html>

³<https://www.gazeta.uz/ru/2020/04/03/us-uzb/>
<https://www.spot.uz/ru/2020/03/20/wto/>

accession to the WTO and giving the country the status of a developing economy for obtaining preferences in negotiations with member countries of the organization.

Of course, global trade is undergoing global changes with a trend towards regionalization of trade and widespread protectionism. Without exception, all countries are trying to provide the most favorable conditions for national producers in their competition with foreign companies. But it is no secret that the main tool of the WTO's work - the organization's arbitration today has practically no opportunity to consider trade disputes primarily because of the position of the United States, secretly trying to reduce the influence of the organization. Even if we imagine that Uzbekistan will join the WTO in the near future, coordinating trade agreements with all its economic partners, this will not create any significant opportunities for the Uzbek economy to increase trade in the world. Therefore, we should first deeply analyze the effectiveness and possible consequences for agriculture, industry, services, small and private businesses. At the same time, it should be understood that joining the WTO will increase the investment attractiveness of Uzbekistan, lead to lower tariffs, an increase in the number of investors and the creation of new jobs. It will help prevent various conflicts during the export of goods.

Foreign economic priorities of the Republic of Uzbekistan

The dynamics of the volumes of the CIS countries and other foreign countries in the foreign trade of the Republic of Uzbekistan are evidenced by the following data:

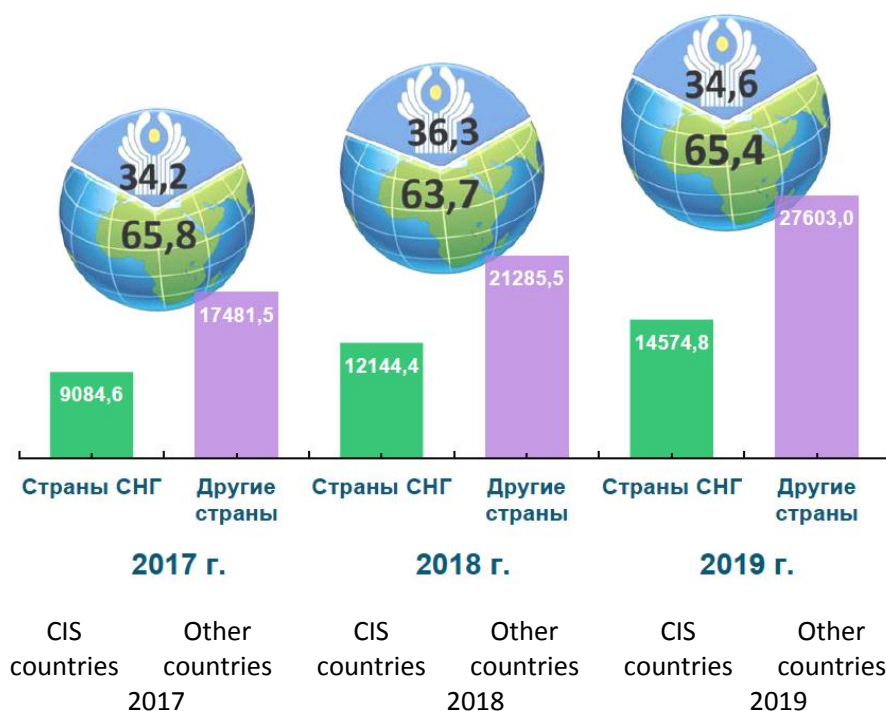


Fig. 1. Dynamics of volumes of the CIS countries and other foreign countries in the foreign trade turnover of the Republic of Uzbekistan (million dollars, share in%).
 Source: Foreign trade turnover of the Republic of Uzbekistan in 2019 - Report of Uzgoskomstat, Tashkent, Uzgoskomstat, 2020, p. 10.

The analysis of foreign trade relations of the Republic of Uzbekistan, investment flows into its economy shows a high integration and investment connectivity with the CIS

countries, primarily with Russia. A third of Uzbekistan's foreign trade turnover falls on the CIS countries and fluctuations in recent years are insignificant. At the same time, there is a tendency to expand foreign economic relations with other foreign partners and international financial organizations. The Republic of Uzbekistan carries out trade and economic interaction with more than 193 countries of the world. The largest partner countries are presented in table 1.

Table 1.: Dynamics of large partner countries in foreign trade Republic of Uzbekistan (million dollars)

Countries	2017	2018	2019
PRC	4 754,2	6 433,5	7 620,9
Export	2 025,5	2 875,4	2 519,0
Import	2 728,7	3 558,1	5 101,9
Balance	-703,2	-682,7	-2 582,9
The Russian Federation	4 728,7	5 655,9	6 626,9
Export	2 019,2	2 117,3	2 492,5
Import	2 709,5	3 538,6	4 134,4
Balance	-690,3	-1 421,3	-1 641,9
Kazakhstan	2 055,8	2 919,6	3 367,7
Export	1 057,6	1 352,2	1 429,7
Import	998,2	1 567,4	1 938,0
Balance	59,4	-215,2	-508,3
The Republic of Korea	1 387,6	2 159,2	2 755,4
Export	143,3	108,7	93,6
Import	1 244,3	2 050,5	2 661,8
Balance	-1 100,9	-1 941,8	-2 568,2
Turkey	1 552,5	2 057,6	2 525,2
Export	877,8	944,8	1 203,6
Import	674,7	1 112,8	1 321,6
Balance	203,1	-168,0	-118,0
Germany	620,0	778,7	980,1
Export	32,5	53,7	53,9
Import	587,5	725,0	926,2
Balance	-555,0	-671,3	-872,3
Kyrgyzstan	253,7	402,8	829,0
Export	178,3	269,7	679,0
Import	75,4	133,1	150,0
Balance	102,9	136,6	529,0
Afghanistan	617,8	604,6	618,0
Export	615,6	602,5	615,1
Import	2,2	2,1	2,9
Balance	613,4	600,4	612,2
USA	215,0	415,0	596,2
Export	32,1	36,8	29,1
Import	182,9	378,2	567,1
Balance	-150,8	-341,4	-538,0
Turkmenistan	177,9	302,8	541,9
Export	69,9	59,5	145,1
Import	108,0	243,3	396,8
Balance	-38,1	-183,8	-251,7
Tajikistan	237,9	390,5	497,0
Export	186,1	237,5	344,2
Import	51,8	153,0	152,8
Balance	134,3	84,5	191,4

Source: Foreign trade turnover of the Republic of Uzbekistan in 2019 - Report of Uzgoskomstat, Tashkent, Uzgoskomstat, 2020, p. 6-7.

The main trading partners of Uzbekistan are five countries: China, Russia, Kazakhstan, the Republic of Korea and Turkey, which account for 54.3% of the country's foreign trade. The main trading partner remains China - \$ 7.6 billion, which has supplanted Russia and is increasingly trying to get ahead of other major players. China's share in total foreign trade rose to 18.1%. Only in 2018-2019. China has invested in 1,376 Uzbek companies and intends to bring bilateral trade to \$ 10 billion by 2020. Chinese companies are major suppliers of technology and equipment to Uzbekistan. Here, the Jizzakh free economic zone is open for the Chinese with preferential conditions for the production of microelectronics, communications, and several others. In turn, Uzbekistan exports gas, uranium, copper, cotton fiber, mineral fertilizers, plastic products, and food products to China.

Russia is in second place - it accounts for 15.7%, or \$ 6.6 billion - 2.5 billion of exports and 4.1 billion of imports. In recent years, Russia has been making efforts to regain leadership and once again take first place in the list of trade partners of Uzbekistan.

Kazakhstan took third place with 8.0% - \$ 3.37 billion, ahead of South Korea (6.5%), followed by Turkey (6%) and Germany (2.3%)⁴. Foreign trade with the United States is much weaker. Currently, Uzbekistan, according to the office of the US Trade Representative, is the 142nd US partner in bilateral trade, which in 2019 amounted to only \$ 315 million. Uzbekistan ranked 119th in terms of the volume of the market for American goods and 159th by volume of goods delivered to the USA.

Over the past four years, there have been significant changes in trade with neighboring Central Asian states. Thus, foreign trade turnover with Kyrgyzstan and Turkmenistan has tripled, while with Kazakhstan and Tajikistan it has doubled. Foreign trade with Afghanistan remains stable at \$ 600 million annually.

Demand for goods and services produced in Uzbekistan from China, Russia and other major trading partners linked through the global value chain has declined markedly. While foreign exchange earnings from exports decreased, the demand for imported goods and services, although slightly decreased, remains high. This increases pressure on the exchange rate, creating a mismatch between supply and demand in the domestic foreign exchange market.

Structural Shifts in Foreign Trade

Since 2000, there has been some transformation of the raw material structure of the economy and an increase in the export of high value-added products. Sales of textiles, machine-building, chemical and fruit and vegetable products increased significantly, while export of cotton fiber, which was previously the main export item, decreased (Table 2.).

Table 2.

Dynamics of the export structure of the Republic of Uzbekistan (mln. dollars)

⁴https://podrobno.uz/cat/uzbekistan-i-kitay-klyuchi-ot-budushchego/v-2019-godu-osnovnym-torgovym-partnerom-uzbekistana-by-kitay/?utm_source=yxnews&utm_medium=mobile&utm_referrer=https%3A%2F%2Fyandex.uz%2Fnews

<i>Structure</i>	<i>2000</i>	<i>2005</i>	<i>2010</i>	<i>2015</i>	<i>2019</i>
Cotton fiber	897,1	1 033,3	1 572,7	736,1	222,1
Foodstuffs	176,4	206,1	1 260,5	1 316,4	1097,7
Chemical products and products from it	93,4	285,0	661,3	613,0	904,6
Energy and petroleum products	335,2	623,0	2 973,8	2 685,2	2666,2
Ferrous and non-ferrous metals	216,7	499,9	894,4	824,2	1167,1
cars and equipment	111,8	452,8	715,4	159,3	214,1
Services	449,1	659,3	1 335,5	3 061,3	3029,9
Gold	554,2	1 164,7	2 618,1	1 920,6	2909,5
Textile Products	235,6	203,5	637,2	883,7	1603,1
Other	195,2	281,2	354,5	307,8	439,6

Source: Socio-economic situation of the Republic of Uzbekistan for January-December 2019 - Tashkent, Uzgoskomstat, 2020, p. 238

Resource products with low added value prevail in the export structure, the specific weight of which reaches 62%, of which 30% is gold. The Central Bank of the Republic of Uzbekistan sold 6.2 tons of gold and became the world leader in gold sales⁵. The export of other precious metals and products from them, energy carriers (natural gas and oil products), cars and trucks, minibuses, equipment and their parts is also growing. Cotton exports fell sharply as Uzbekistan increased domestic processing of cotton fiber from 7% in 1991 to 60% in 2019. In the coming years, Uzbekistan will stop exporting cotton fiber. The republic will begin to process all the crops within the country, supplying abroad products with high added value - textiles. Already in 2020, the export of textile products from Uzbekistan will reach \$ 2 billion, and by 2025 it will grow to \$ 8 billion. The largest share of textile exports is in the Russian Federation (541 million dollars - 36.8%), China (395 million dollars - 26.9%) and Turkey (173 million dollars-11.8%). It is noteworthy that as a result of the expansion of the country's export potential and the development of new markets, the export of fruits and vegetables, grapes, melons, legumes, and also dried vegetables and fruits is growing. In 2019, more than 180 types of agri-food products were exported to 80 countries of the world, which amounted to 20% of the country's total exports.

However, there is a structural distortion in terms of imports of industrial products. In the structure of imports, the main share is machinery and equipment - 42.5%, chemical products and products from it -13.1%, as well as ferrous and non-ferrous metals (9.1%), cement, wood. That is, in the future, the country needs to develop its own industrial base. The logic of subsequent development requires the gradual development of domestic processing, which in turn necessitates the availability of substantial financial resources (either internal or attracted). In addition, the second important circumstance is the negative balance of payments (imports in value terms exceed exports), which requires the constant attraction of additional financial resources of a credit or investment nature.

Based on the analysis of current export flows and counterparties of the Republic, export markets show that the post-Soviet space accounts for about 34% of all Uzbek exports, of which 40% to the Russian Federation and 46% to Central Asian countries. Maintaining trade

⁵<https://kun.uz/ru/news/2019/08/31/zamestitel-ministra-finansov-my-ne-doljny-derjat-zoloto-pri-sebe-yego-nujno-vkladyvat-v-sfery-prinosyashchiye-dengi>

preferences within the framework of the multilateral free trade zone (FTA) in the CIS space has wide opportunities for strengthening the cohesion of the post-Soviet Eurasian space. This significantly increases the efficiency of economic cooperation and the integration of multilevel integration processes in the CIS and in its core - the Eurasian Economic Union.

In the coming years, the development of Eurasian integration will be carried out in a turbulent world economy. The United States and the EU will continue to exert pressure on Russia, and the PRC will continue to advance economically into Central Asia. In these conditions, Russia should expand economic and political cooperation with the CIS countries and the EAEU.

For 2016–2019 the total trade turnover of Uzbekistan with the EAEU countries due to the bilateral agreements reached has grown by almost 60% and exceeded \$ 11.2 billion, which amounted to about 30% of the country's foreign trade. Uzbekistan's exports to the EAEU countries grew by 22.9% to \$ 4.65 billion, imports - by 15.8% to \$ 6.51 billion. More than half of Uzbekistan's foreign trade with the EAEU countries falls on Russia, whose share amounted to 2019. 59.4%. This fact largely explains the attention that is riveted to the prospects of expanding the interaction of the Republic of Uzbekistan with the EAEU.

EAEU and Uzbekistan: false start for integration

Currently, the issue of Uzbekistan's accession to the EAEU⁶ is widely discussed, the very consideration of which became possible in connection with the fundamental changes in 2017 of Uzbekistan's foreign economic strategy. By July 1, 2020, a foreign trade and integration strategy of the country should be prepared taking into account partnerships with the Eurasian Economic Union⁷.

Of course, the accession of the Republic with its 34 millionth population, an important geostrategic position on the map of Eurasia and large-scale modernization plans will make the EAEU an even more significant player with a united market exceeding 200 million people. At the same time, the accession of Uzbekistan will be fraught with serious challenges for the organization, which for the first time since the launch will face the entry of such a major player. Integration will require serious efforts and transformations for both sides of the association, which will be at the same time a serious test for the EAEU and for Uzbekistan, the entry of which can positively affect the recent stagnant process of Eurasian integration.

One of the founders of the theory of economic integration B. Balash noted that any integration process goes through a series of successive stages, which determine the multiplier effect for all its participants. For a better understanding of the problem, it should be borne in mind that the interaction and any cooperation between Uzbekistan and the EAEU will be built on a pragmatic basis, free from political conditions, based solely on economic feasibility and national interests. As President Sh.M. Mirziyoyev noted in his message to Parliament on January 24, 2020 "... in this serious matter we will proceed primarily from the interests of our people and rely on their opinion"⁸

⁶<https://www.mk.ru/politics/2019/12/03/kak-novyy-prezident-mirziyoev-upravlyayet-uzbekistanom.html>

https://m.forbes.kz/finances/integration/uzbekistan_v_eaes/?utm_source=forbes&utm_medium=mlt_articles-2019-10-22/10. http://www.ng.ru/courier/2019-11-24/11_7734_uzbekistan.html?utm_referrer=https%3A%2F%2Fzen.yandex.com.

⁷https://tj.sputniknews.ru/novosti_uzbekistan/20200303/1030813187/uzbekistan-strategiya-vneshnyaya-torgovlya-eaeu.html.

⁸https://www.norma.uz/nashi_obzori/poslanie-2020_glavnye_tezisy_iz_rechi_prezidenta.

In this regard, the time lag between the establishment of integration institutions and the formation of an integrated economy can be quite large. But now it is obvious that a more active interaction of the Republic of Uzbekistan with the EAEU will give certain advantages.

First, for Uzbekistan, upon joining the EAEU, the opportunities for increasing foreign trade will expand, access to a single market for goods, labor, services and capital will be opened, as well as to the technological, transit-transport and investment potential of this association, in particular, procedures will be simplified in mutual trade through the removal of customs posts and the reduction of non-tariff barriers; the country's foreign trade turnover will increase, the cost of transporting goods will decrease, and new transit flows will appear. The EAEU accounts for 52.6% of Belarus' foreign trade, 42.8% of Kyrgyzstan, 29% of Armenia, 23% of Kazakhstan, which indicates the interest of these countries in the single EAEU market. The removal of customs posts and the reduction of non-tariff barriers led to a significant increase in the mutual trade of the EAEU members: from 2015 to 2019. its volumes grew by 32% and according to the EEC, only in 2019 the volume of mutual trade between the EAEU member states increased by 9.2%. Mutual opening of capital markets would increase the total volume of Uzbek export of banking services by \$ 1.5 million (+ 54%) and return Eurasian exports by \$ 5.3 million (74%). The gross effect for Uzbekistan from integration into the EAEU financial market will amount to \$ 2.3 million⁹.

Joining the EAEU will give Uzbekistan a full-fledged representation in the Eurasian Economic Commission (EEC), new mechanisms will appear for promoting their ideas and projects to intensify regional trade. At the same time, serious work remains to be done to adapt its legislation and its customs practices to the EAEU standards, which will entail a review of internal established norms and rules, which may lead to temporary difficulties in the business environment of the republic. Serious negotiations are coming for all participants about the share of Uzbekistan in the distribution of EAEU customs duties, terms of trade, a list of exemptions, quotas. Uzbekistan, in the framework of harmonizing its legislation with the rules and regulations of the EAEU, gets ready-made solutions and practices for reforming a number of sectors related to accession - certification and standardization, customs regulation, and others. A systematic review of the legislation using advanced, proven practices in the future promises serious positive changes in the investment environment of Uzbekistan.

The market of this association accounts for about 75% of all exports of Uzbek agricultural products, which are competitive in terms of cost and quality characteristics. Protection policy is being strengthened by EAEU members to protect their own market. Tariffs and general laws, which impede cooperation of Uzbekistan with these countries, will already be in place here and in the future will be even more clear. As a result, Uzbekistan faces problems in the form of tariff and non-tariff barriers from the trading partners of the EAEU. According to experts, these non-tariff barriers increase the cost of Uzbek exported goods by an average of 30%.

As a result, entrepreneurs and exporters of Uzbekistan are losing hundreds of billions of dollars of potential profit. In addition, enterprises may close, unable to withstand competition and not having time to adapt to the requirements of the union. We are talking about phytosanitary, veterinary and other regulations within the framework of the EAEU, which impede the free access of Uzbek goods to the markets of countries - major trading partners of Uzbekistan. Uzbekistan's entry into the EAEU can significantly reduce the barriers for Uzbek products to enter the markets of the Union countries and the associated costs for exporters. From the point of view of economic feasibility, participation in the EAEU is beneficial for

⁹<https://www.podrobno.uz/cat/politic/kazhdyy-uzbekistanets-stanet-bogache-na-60-dollarov-v-god-ot-vstupleniya-uzbekistana-v-eaes/>.

the Uzbek business, which will receive equal access to the market of the EAEU countries and Russian investment resources and technologies.

Upon joining the EAEU, Uzbekistan will become part of a single customs space, where the common customs tariff (CCT) of the EAEU applies. Logistics for the delivery of goods will improve and the delivery time for agricultural products will be reduced due to the elimination of unnecessary requirements and barriers at the borders by reducing transport costs and simplifying the transit of export goods across Kazakhstan and the Russian Federation, which will increase the export of fruits and vegetables and processed agricultural products of Uzbekistan and expand the range of exported goods products to the common Eurasian market.

Non-entry of Uzbekistan into the EAEU creates certain problems in the functioning of border and customs checkpoints with neighboring countries. For example, there are 21 checkpoints between Uzbekistan and Kyrgyzstan, of which 7 are closed, and some of the functioning ones have restrictions on the passage of goods, which creates serious problems for the free movement of goods and people. In addition, the impossibility of opening individual checkpoints leads to an increase in “transport leverage”, which in turn leads to an increase in transportation time and costs, which affects the cost of Uzbek goods. Along with this, certain neighboring countries, taking advantage of their membership in the EAEU, are actively re-exporting Uzbek products as their own to other union countries. As a result, Uzbekistan loses a significant potential profit. It is obvious that improving the conditions for access of Uzbek products to the EAEU market, including the unification of standards and norms, is an urgent task for Uzbekistan.

Secondly, participation in 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 has been signed with Vietnam, an Interim Agreement has been reached leading to the establishment 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 and a Memorandum on Deepening Cooperation with the CIS were signed. Agreements on the formation of a free trade zone are also being worked out with Singapore, Thailand, India, Egypt and Israel. In 2017-2018, the EAEU's trade turnover with a group of countries with which trade agreements are concluded or are planned is increased by more than 25%.

Thirdly, participation in the EAEU allows overcoming geographical isolation by increasing “continental connectivity” and creating a common transport market for the Union. The EAEU provides simplified access to continental transport hubs with access to the markets and sea routes of Russia, China, the Near and Middle East and the EU. So, in Kazakhstan, with the launch of the EAEU, such large-scale projects as the Western Europe-Western China Highway and the Eurasia high-speed railway corridor along the Beijing-Astana-Moscow-Berlin route became possible. The importance of Russia and Kazakhstan is also growing, through the territory of which a significant amount of Uzbek goods is exported to world markets. The republic is extremely interested in the projects of the interregional corridor Russia - Kazakhstan - Uzbekistan - Turkmenistan - Iran - Oman - India. In addition, jointly with Russia, the implementation of projects such as the construction of the Uzbekistan-Kyrgyzstan-China railway, Mazar-e-Sharif-Kabul-Peshawar, etc.

Fourth, the framework for the implementation of large investment projects, territorial clusters, industrial cooperation, the deepening of cooperation between enterprises of various sectors of the economy, and the development of inter-regional ties in the organization of industrial and trade zones will expand within the EAEU. The digital platform “The Eurasian Network of Industrial Cooperation, Subcontracting and Technology Transfer” is already operating, which gives enterprises the opportunity to search for partners, suppliers and consumers from among the EAEU member states, simulate among themselves possible

production chains and optimal load of production capacities, promote products using digital ecosystems.

In addition, mutual preferences are established in the EAEU (recognition of documents on education, rules for the acquisition or rental of real estate, the right to medical care, legalization and simplified equal favorable conditions for migrant workers to stay in the EAEU, the national social security regime for employment of a citizen in that or another country of the Union, a single tax regime for labor migrants from the EAEU countries on a par with citizens of a member state of the Union Participation in the EAEU ensures the mobility of pensions for citizens in accordance with the Pension Agreement in the EAEU. It will lead to the growth and strengthening of the country's economy, reduction of unemployment, cooperation with traditional partner countries will intensify.

Fifthly, the training of highly qualified specialists through cooperation in the field of education and science, the introduction of new practices and teaching methods. Membership in the EAEU allows us to increase cooperation in the field of science, technology, innovation, and contributes to the digitalization of the national economy and access to Russian innovative technologies. The EEC has a digital project office, which has already received over 25 initiatives from business and government from member states.

Sixth, as part of the EAEU, Uzbekistan will ensure greater national economic security, taking into account the capabilities of the Collective Security Treaty Organization (CSTO). Recall that Uzbekistan suspended its membership in the CSTO since June 2012. However, conventions such as participation or non-participation in multilateral formats - the CSTO, the EAEU - cannot be central in determining allies, and without reference to the return of Uzbekistan to the CSTO (at different times) the organization united from 6 to 9 states) or an attempt to persuade him to join the Eurasian Economic Union. Although this possibility was expressed in October 2019 by the chairman of the Council of the Federation of Russia V.I. Matvienko at a meeting with his Uzbek colleagues during his three-day visit to Tashkent: "We know that the President of Uzbekistan made a wise decision, and now the issue of Uzbekistan's joining the Eurasian Economic Union is being worked out"¹⁰. Uzbekistan's membership in the EAEU and the CSTO would enable it to better protect its interests in relations with China, as well as include multilateral cooperation programs in the regional agenda and represent them from the strengthened positions in the SCO, through whose structures China is increasing its power and influence in Central Asia.

Nevertheless, serious obstacles and a number of unresolved problems of a bilateral and multilateral nature remain, as well as cooperation factors arising from the different levels of involvement of Uzbekistan and partner countries in various multilateral structures. One of these risks for the interests of Uzbekistan is the inconsistency and inconsistency of the foreign economic regulation regimes introduced and operating recently in the framework of the EAEU. But among the most important partners of Uzbekistan, and not only in the trade and economic sphere, are the EAEU countries - Russia, Belarus, Kazakhstan and Kyrgyzstan. If most countries of the post-Soviet space went through a period of "shock therapy" back in the 90s and early zero years, then Uzbekistan is just starting these reforms. Commodity flows were organized in such a way that the most disadvantaged segments of the population could use the products of agriculture and other industries in the first place. A common trading space can negate a monopoly, for example, the Uzbek factory UzAuto Motors in the domestic market. It is possible that in a number of sectors of the economy there will be job losses, a decrease in the pace of production, a slowdown in investment activity, modernization of

¹⁰It's time for Uzbekistan in the EAEU and in the CSTO - https://m.forbes.kz/finances/integration/uzbekistan_v_eaes/?utm_source=forbes&utm_medium=mlt_articles.

industry and an increase in the competitiveness of certain goods. There will be a risk of a deterioration in the trade balance and the balance of payments of the country. Some sectors of the economy will decline, as was the case with poultry and cement production in Kyrgyzstan, which could not stand the competition with companies from other EAEU countries. Granting a number of advantages to labor migrants can lead to a new round of departure of the able-bodied population of the Republic. One cannot ignore the negative experience in the EAEU space. There are problems - both in Kazakhstan, and in Kyrgyzstan, and in Belarus, which undermines confidence in this integration association¹¹. Russia is also going through a difficult geopolitical and economic period. It is under the burden of international sanctions, which negatively affects its economy.

The main argument that sounds from the camp of opponents of the Republic joining the EAEU is that Uzbekistan first needs to join the WTO in order to enter the league of equals in international trade, and only then join the EAEU. The position of US Secretary of Commerce Wilbur Ross is characteristic, which stated that Uzbekistan has a real chance to become a leading export destination for American goods to Central Asia and threatened difficulties in accessing the WTO for Uzbekistan if a decision is made on integration into the EAEU¹². WTO is an instrument of globalization, the EAEU is an instrument of regionalization. The US, which controls the WTO, wants Uzbekistan to be in the WTO, controlled by them, but at the same time it should not be in the EEA, which they do not control. Because the EAEU with Uzbekistan and the EAEU without Uzbekistan are two different values. In February 2020, during a visit to a number of CIS countries, US Secretary of State Michael Pompeo bluntly stated that the United States intends to become a strategic partner of Uzbekistan and Kazakhstan, increasing trade and direct investment, creating alternative national security structures. The US and the EU in every way impede the development and strengthening of Eurasian integration, make it clear to both Uzbekistan and Tajikistan that joining the EAEU will negatively affect their trade and economic ties with Western countries¹³.

Given all this, including the complexity and ambitiousness of the problem, it is obvious that in order to achieve a positive result from accession, Uzbekistan should not rush in order not to repeat the mistakes of the past. Apparently, we should consider the phased interaction of Uzbekistan with the EAEU, the extended accession scenarios, which will make it possible to comprehensively calculate the economic parameters of integration. Initially, we should talk about strengthening bilateral ties, removing customs barriers and other problems. At the first stage, this can be implemented through existing formats, for example, the creation of a free trade zone. A transitional period is required (in some cases up to ten years) with the receipt of economic benefits from the EAEU for a number of its sectors¹⁴.

The Legislative Chamber on April 28¹⁵, and then the Senate on May 11, 2020¹⁶, the Parliament of the Republic of Uzbekistan adopted a majority vote approving the country's participation in the Eurasian Economic Union as an observer state. The next step may be the

¹¹https://kun.uz/ru/news/2019/10/21/u-menya-na-eto-pyat-prichin-pochemu-uzbekistanu-ne-sleduyet-prisoyedinyatsya-keaes?utm_source=yxnews&utm_medium=mobile&utm_referrer=https%3A%2F%2Fyandex.ru%2Fnews.

¹²<https://eadaily.com/ru/news/2019/10/23/ssha-otgovarivayut-uzbekistan-ot-vstupleniya-v-eaes>.

¹³<https://podrobno.uz/cat/obchestvo/novyy-tashkentskiy-pakt-gossekreter-pompeo-zayavil-o-pretenziyakh-ssha-na-postsovetskoe-prostranstvo/>.

¹⁴https://yandex.uz/turbo?text=https%3A%2F%2Ffergana.ru%2Fnews%2F114250%2F&utm_source=yxnews&utm_medium=mobile&utm_referrer=https%3A%2F%2Fyandex.uz%2Fnews&brand=news.

¹⁵<https://zen.yandex.ru/media/id/5c7618bcd63c5600b3b96aca/priniato-okonchatelno-reshenie-povstupleniiu-uzbekistana-v-eaes-5ea7f7896135402f7533962c>.

¹⁶<https://ria.ru/20200511/1571269975.html>

formation of the Uzbekistan – EAEU free trade zone. At this stage, it is possible and necessary to actively engage in combining tariff issues, technical and sanitary regulations and requirements. And only then can we talk about full membership in the EAEU, if it will be beneficial to both parties. The position of Uzbekistan is in full harmony with the approach of the Russian side. In April 2020, the President of Russia V.V. Putin said that the Eurasian Economic Union will not expand and accept new members. The organization plans to develop without haste and not jump over certain stages ... The EAEU does not follow the path of pressure and “arm twisting”¹⁷. In any case, a great and painstaking work ahead, taking into account, first of all, its national interests.

The observer status in the EAEU gives Uzbekistan the right to attend meetings of the EAEU bodies, to receive documents accepted by the Union bodies, naturally, except for those that remain in the exclusive use of the EAEU member states. The restriction for Uzbekistan lies in decision-making in the organs of the union. This means that Uzbekistan will be aware of all the main decisions of the economic union and will participate in the development of mutually beneficial proposals not only on a bilateral basis. There are obligations for the observer country: to refrain from any actions that could harm the EEAC. In the future, observer status will allow Uzbekistan to take a decision on deepening integration if mutually beneficial conditions arise: after all, not only Uzbekistan will look at its own benefits and possible losses, but also other members of the association will evaluate their experience of cooperation with Uzbekistan in the framework of multilateral cooperation.

The impact of the coronavirus pandemic on the economy

Suddenly, the coronavirus pandemic intervened in the plans of all countries of the world, including Uzbekistan. Tighter integration may be affected by increased spread of coronavirus and related crisis phenomena. According to preliminary estimates, in 2020 a slowdown in the country's gross domestic product is expected to slow down to 1.5-2.5%¹⁸. Earlier, the Central Bank of Uzbekistan predicted economic growth in 2020 by 5.5-6.0%. The most significant growth slowdown is forecasted in the sectors of tourism, hotel business, international transportation, trade, sports, and exclusive services. In January – March 2020, the volume of foreign trade of the Republic has already decreased by \$ 924.1 million, or by 10%, compared to the same period last year. The decrease in foreign trade activity is explained by a decrease in turnover with China (by 17.5%), Kazakhstan (by 13.7%) and Korea (by 22.1%). In January-March 2020, exports fell by 10.9% to \$ 3.4 billion, which was caused by a decrease in sales of natural gas (by 29.6%), cotton fiber (by 46.9%), non-ferrous and ferrous metals (by 19% and 20.8%, respectively), etc. A decrease in external demand and a drop in commodity prices on world markets was reflected in a downward trend in export operations. The decline in exports is estimated at 11-12% compared with 2019. For three months of the global pandemic, Uzbekistan lost \$ 400 million in export revenue¹⁹.

At the same time, the increase in the cost of exchange commodities - gold, fruits and vegetables, etc., exported by Uzbekistan, have a compensating effect on the revenues of the state budget and business entities, and to some extent offset the reduction in tax revenues,

¹⁷<https://polit.info/492894-putin-zayavil-cto-eaes-predpochitaet-dvizhenie-vpered-bez-speshki>.

¹⁸The Central Bank of Uzbekistan assessed the impact of the pandemic on the economy - https://kun.uz/ru/news/2020/05/01/tsentrobank-uzbekistana-otsenil-vliyaniye-pandemii-na-ekonomiku?utm_source=yxnews&utm_medium=mobile

¹⁹https://podrobno.uz/cat/economic/uzbekistan-za-tri-mesyatsa-globalnoy-pandemii-poteryal-400-millionov-eksportnykh-dokhodov-/?utm_source=yxnews&utm_medium=mobile

which will help maintain the overall foreign trade balance and reduce its deficit. The declining dynamics of domestic investment and consumer demand and a short-term breakdown in global supply chains will reduce the demand for imports of goods and services to 10%. A decrease in imports of machinery and equipment, building materials, ferrous metals and their products and services is expected. This will greatly affect budget revenues. In addition, at the beginning of 2020, the volume of cross-border transfers to Uzbekistan decreased significantly. Only in March of this year, they decreased by 23% compared with February and amounted to \$ 296 million²⁰. According to the results of the year, income from labor migrants working abroad can be reduced by more than 50%. At the same time, their return to their homeland will increase the already high unemployment.

Recently established interregional trade and economic ties between small and medium-sized businesses in the regions of Russia and Uzbekistan will suffer significantly. This can be quite a long-term one, as it will be associated not only with a short-term shock, but also with a fall in the demand of the population for cotton, textiles, cars, fruits and vegetables, as well as recreational and business tourism, which has just begun to gain momentum in Uzbekistan. By the end of 2020, an increase in the deficit of the general fiscal balance is expected to reach 3.5-4.5% of GDP. As a result, according to estimates, the current account deficit of the balance of payments in 2020 will increase from 7.2% of GDP in 2019 to 9.5-9.8% of GDP²¹. According to other estimates, the budget deficit may increase to 5.6% in 2020²².

At the same time, the increased volume of gold and foreign exchange reserves, foreign direct investment and foreign loans in recent years, coupled with the high ratings of international rating agencies carried out by Uzbekistan's socio-economic reforms in accordance with the Action Strategy for the five priority areas of development of the Republic of Uzbekistan, suggest that a significant decrease fundamental macroeconomic indicators will not happen. In March 2020, to curb the spread of COVID-19, support business and employment, increase social security, create new jobs, the President of Uzbekistan created the Anti-Crisis Fund in the amount of 10 trillion soums (\$ 1,100 million). Additional financing in the form of loans and grants by MFOs, as well as accumulation of funds in special funds with their further direction to help small and medium-sized businesses and low-income groups of the population will help smooth out the negative effects of the pandemic and mitigate its effects on the national economy.

The global coronavirus pandemic cannot and should not become the basis for suspending the new course of the geopolitical and geoeconomic strategy of the Republic of Uzbekistan to enhance the entry of the national economy into the world economic system and increase its role in the global world.

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²⁰<https://kun.uz/ru/news/2020/04/16/v-chem-osnovnaya-prichina-devalvatsii-suma>

²¹<https://rossaprimavera.ru/news/b3f86e23>

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