

Master Thesis

Economic impact analysis of free trade
agreements on Uzbekistan

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The Graduate School of Hansung University

Major in International Market Analysis

Dept. of International Trade and Economics

Yusupov Begzodjon Bakhodir Ugli

Master Thesis

Advisor Professor YoonKyo Cho

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– 우즈베키스탄 자유무역협정의 경제적 영향분석 –

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Approved Yusupov Begzodjon Bakhodir Ugli
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Judge Chair 노 재 확 (Sign)

Judge 이 동 환 (Sign)

Judge 조 윤 교 (Sign)

Abstract

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The main purpose of this paper to examine the effects of free trade to economy between Uzbekistan and its trade partners. For analysing this will use gravity model with Russia which has free trade agreements and South Korea which has not free trade agreements over the period 30 years from 1991 to 2020 was conducted. The regression results show the gdp and exchange rate has positive influence on bilateral trade volume. Human development has also positive effect on bilateral trade, In this study we will analyze how Uzbekistan take a benefit from free trade and what is the drawbacks of its .

{Key word} Bilateral trade, gravity model, South Korea, Russia,
Uzbekistan

Contents

I. Introduction	1
1.1 Approaches to free trade	2
1.2 Political economy approach	3
1.3 Objectives	13
 II. Literature review	 14
2.1 Recent studies on free trade	17
2.2 Previous studies on bilateral trade using a gravity model method.	18
 III. Analyzing economic impact of trade relationships of Uzbekistan	 21
3.1 Bilateral trade with neighbor countries	21
3.2 Trade relationships of Uzbekistan with Russia	36
3.3 Bilateral trade relationships between South Korea and Uzbekistan	49
 IV. Methodology and results	 56
4.1 Data collection	57
4.2 Results analysis	57
 V. Conclusion	 66

References	69
Appendix74
Abstract in Korean (국문 요약)	75

Index of Table

[Table 1] Uzbekistan export volume to Russia	47
[Table 2] South Korea and Uzbekistan export volume55
[Table 3] Descriptive statistics of variables	58
[Table 4] Table shows emirical results of the gravity model	59
[Table 5] Shows gravity model for Uzbekistan and South Korea	62

Index of Figure

[Figure 1] Uzbekistan exports to Kyrgyzstan	25
[Figure 2] Kazakhstan exports to Uzbekistan– facts, ancient chart and information – changed into last updated on can also of 2022	30
[Figure 3] Uzbekistan imports from Turkmenistan	33
[Figure 4] Uzbekistan export valume to Tajikistan	36
[Figure 5] Russia’s export to and imports from Uzbekistan, million \$	41
[Figure 6] Uzbekistan export valume to Russia	46
[Figure 7] Uzbekistan and South Korea export volume	54

Chapter 1 Introduction

Trade liberalization is not a new phenomena nowadays. Almost everything as members of the international community, nations form free trade groupings or establish bilateral agreements. Several nations have formed free-trade groupings to promote trade liberalization. The development of international trade points to freer trade, which is accompanied by a variety of bilateral, regional, and multilateral arrangements. One of the main goals of international trade agreements is to try to eliminate or minimize trade barriers.

Global trade liberalization, when accompanied by patterns of international cooperation, has beneficial implications for global economic growth. Uzbekistan is the Central Asian country that was least affected by the dissolution of the Soviet Union. As early as 2002, the country's GDP was recovered to pre-independence levels, and the country has subsequently seen a long period of continuous economic development. Uzbekistan is today a middle-income country with dramatically better living circumstances, but primarily in metropolitan areas. Unlike Kyrgyzstan and, to a lesser extent, Kazakhstan, Uzbekistan has taken a cautious approach to economic change and has largely maintained the Soviet-era economic and financial structures. In his 1992 publication, 'Uzbekistan, its Road to Independence and Progress,' President Islam Karimov publicly criticized the free market-oriented policies pursued by its neighbors,

assessing their success.

The own model of reforming and modernization adopted in Uzbekistan has meant from the beginning the denial of shock therapy methods, which were persistently imposed on us, as well as naive and deceptive conceptions about the self-regulating nature of market economy the Uzbek President stated in a more recent publication.

1.1. Approaches to free trade

According to economic theory, trade liberalization improves efficiency, scale economies, competition, productivity factors, and trade flows. As a result, it eventually improves economic growth (Barro and Sala-i-Martin, 1995; Wacziarg, 1997). Despite liberal trade reforms in a number of nations, researchers have discovered a wide range of unique barriers in some nations that are impeding global trade growth (Kalirajan, 1999). These restrictions reduce trade flows between nations, causing a trade gap from their potential level (Kalirajan, 2007).

Others should be made to facilitate the country's attempts to overcome such barriers, in addition to multilateral, regional, and bilateral efforts. International trade has a wide range of implications on a country's economy, both economically and non-economically. International trade will have a significant

economic impact on consumption, output, and income distribution. This indicates that the country's trade policy will have significant economic and non-economic consequences. Policies that dissolve various sorts of trade barriers are known as trade liberalization policies. When completely implemented, commodities trade and investment in the form of capital, products, or services will flow freely between nations, without the need for tariffs or non-tariff barriers, such as protectionist laws. When this happens, it appears that there are no other options, and each country must be able to manufacture competitive products in order to compete in the global market.

1.2. Political Economy Approach

There is a large body of research on the influence of politics on the economic integration process that may be analyzed in depth. In international negotiations, Heimenz and Langhammer (1990) discussed how to increase bargaining strength in order to obtain bigger rewards. This encourages assimilation according to Hoekman & Kostecki (2009), joining a preferential trade agreement (PTA) gives small nations additional bargaining leverage in multilateral trade negotiations since joining a PTA entails joining a bigger trading bloc. The purpose for founding PTA was to construct transnational infrastructure in order to minimize transaction costs while also establishing a single security strategy. Frye & Mansfield

(2004) and Henisz & Mansfield (2006), on the other hand, suggested that democratic nations tend to pursue more liberal trade policies than other nations because they provide voters the power to penalize government officials who mismanage the economy.

The agreement between conservatives and reformers has influenced and defined the reform choices and sequencing. Even though there were disagreements and tensions, one thing these parties agreed on was the need of maintaining political stability as a precondition for economic change and progress. The leadership's principal concern is how the communist party can maintain its leadership has been particularly concerned in how the communist party can maintain its leadership and control through the reform process. This alludes to political and economic balance, as well as stability and reform.

Global Trade Liberalization under World Trade Organization

All countries trade with one another, and the globe is in the finest situation it has ever been (Cheong and Wong, 2007). As a result, in today's world of international trade liberalization, the WTO is viewed as the best policy for all nations, followed by the second best FTAs (Shujiro, 2009). Countries will be better off if they trade with one another, but there is no assurance that one side will back out. The Prisoners' Dilemma is a well-known example of this. The risk of the prisoners' dilemma game led to nations receiving protection, despite the fact that they benefited from open trade

(Brander, 1986). However, the most straightforward way to get into the game is to establish an institution where people may ensure no one will cheat via providing information about players' behaviour (Krueger, 2000).

Uzbekistan is undergoing substantial socioeconomic changes, with the goal of becoming one of the most sophisticated CIS countries with an open economy. For the first time in 30 years, new essentially foreign commercial interactions are clearly established on pragmatism and the most flexible application of current realities and national interests. Uzbekistan has constantly changed the vectors of international cooperation, while maintaining the ability to balance its own interests between global players in Central Asia – Russia, China, the United States, and the European Union – by strengthening or weakening one or another vector of its policy. It has now developed a science-based strategy to ensure economic security, taking into account its competitive advantages and own national interests, and actively broadening its international economic relationships (Ulugbek Ziyodullayev 2019).

Uzbekistan underlined that it maintained a certain distance from the main post-Soviet integration efforts, adhered to the idea of not joining any associations, whether defense or economic, and prioritized domestic producer support based on the home market. Inconsistent international economic strategy – from focusing on economic cooperation with China or Turkey, then Russia or the US,

to focusing only on domestic issues with the implementation of limits on commercial entities' ability to create economic links with other nations. 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 Mirziyoyev 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 market. 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

The Concept of FTA

The GATT/WTO framework generally refers to reciprocal trade agreements between two or more nations as a Regional Trade Agreement (RTA). Currently, each nation refers to RTA/FTA by a different term. The term “Economic Partnership Agreement” (EPA) is used by Japan, whereas “Free Trade Area” and “Closer Economic Partnership Agreement” (CEPA) are used by China.

The title “Comprehensive Economic Cooperation Agreement” (CECA) is used in India, whereas “Free Trade Agreement” (FTA) and “Framework Agreement on Comprehensive Economic Cooperation” (FACEC) are used in ASEAN and South Korea,

respectively. Despite the fact that these agreements have varied titles, they are all accords that remove trade restrictions with the goal of increasing economic development between countries. Despite the fact that the WTO's primary concept is non-discrimination, Article XXIV of the GATT is viewed as a prerequisite for the growth of regionalism through RTAs (Hilpold, 2003). Within the extent of the Articles' provisions XXIV/GATT; V/GATS Terms and Enabling Clause 1979, the view on RTA in the XXIV/GATT; V/GATS Terms and Enabling Clause 1979, the viewpoint on RTA in the XXIV/GATT/WTO stands for the General Agreement on Tariffs and Trade (GATT/WTO).

In his 1961 book "The Theory of Economic Integration," Hungarian economist Béla Balassa discussed the several levels of economic integration that are classified according to the degree of commitment to trade. From superficial to profound, liberalization and economic integration are being implemented. Beginning with Free Trade, the first is a Customs Union, followed by a Common Market (CM), and finally, an Area.

Economic Union :

- i. Free Trade Area: Parties agree to eliminate the trade restrictions but still maintain their own tariff policies with non-members.
- ii. Custom Union (CU): The trade restrictions are removed and member countries adopt a general tariff policy towards non-members

iii. Common Market (CM): The countries establish custom union allowing the free movement of production factors such as capital and labour

iv. Economic Union (EU): Including all features of common market and having common economic policies by harmonizing national fiscal and monetary policies.

According to the GATT's legal framework, Article 5 (c) of Chapter XXVI "Territorial Application – Frontier Traffic – Customs Unions and Free-trade Areas" states that any interim agreement should contain a plan and timeline for the creation of a customs union or free-trade area. within an acceptable time frame, of such a custom union or free trade zone time". The success of the FTA has led to the expansion of a free trade zone (Matsushita, 2010). It is regarded as a transitional agreement that serves as the legal foundation for only two levels of economic integration: a Free Trade Area or a Custom Union.

FTAs are an exercise in partial trade liberalisation and rule-making (towards a limited number of partners), and as such their effects are contested. Supporters argue that, as with any liberalisation, the removal of barriers to trade will result *at an aggregate level* in an increase in the welfare of both parties. The rules within FTAs are also perceived as providing a more predictable policy environment (and in this way to foster economic activity and investment) and as being a 'cement' to bind together regional integration schemes.

But FTAs are also criticised from both sides. Some trade liberals identify potential negative effects from liberalising only partially. The essence of the liberal critique is that FTAs may ‘divert trade’ as well as ‘create trade’. The former is welfare reducing and, if it is relatively large, it may significantly reduce (or completely offset) the latter, which is welfare enhancing.

Trade creation occurs when the removal of trade barriers results in more efficiently produced imports replacing some goods previously produced domestically relatively inefficiently. It creates ‘adjustment problems’ for displaced domestic producers but a gain for consumers (who include industries for which the good is an input). Trade diversion can occur when the goods in question were already being imported – from a globally efficient source. As a result of the removal of trade barriers to some partners but not others, these ‘efficient’ imports from a country that is outside the FTA are displaced by less efficiently produced goods from a country inside the FTA because it faces lower tariffs.

Because of this it is not enough, even from a liberal perspective, to discover that trade has grown between partners to judge the impact of the FTA. It is also important to know how much of the growth is ‘created’ and how much is ‘diverted’. Too much trade diversion relative to creation can reduce rather than increase economic welfare and GDP.

Critics of the liberal case for FTAs argue that governments need to

retain the flexibility to shield some domestic producers from import competition and that over-rigid rules remove the necessary policy flexibility of governments. They fear, for example, that the adjustment to increased imports will be borne mainly by the poor and vulnerable whose alternative employment opportunities are the most limited. The broader and more detailed the FTA rule book, the more rigid a straitjacket it is to future policy initiatives.

The main problem for those seeking guidance from the literature on the likely effects of nascent FTAs is that key concerns are either ignored or receive very limited coverage in the studies judged to be of high or moderate quality. These are on the revenue, distributional and social/environmental effects of FTAs.

Supporters predict that FTAs will increase employment (as a result of increased economic activity corresponding to the partners' comparative advantage) and that the dialogue between parties will help to improve labour and environmental policy. Critics fear the reverse: that the labour displaced when inefficient domestic industries are out-competed by the newly created trade will not be fully absorbed elsewhere because of structural rigidities in the economy, and that governments will be forced to discontinue social and environmental policies in the face of commercial pressure from their partners.

The literature provides little guidance on what happens in practice. None of the high and moderate quality studies estimated the

distributional impact or the employment and environmental effects of fully or substantially implemented FTAs. Two studies of FTAs near the start of their implementation period flagged the potential loss of government revenue from reduced tariffs – but no study of a mature FTA estimated the actual effects (or analysed the impact of government's response).

The minimum lesson is that at an aggregate level FTAs are in most cases neither 'a golden bullet' that will automatically destroy impediments to trade nor a potent source of the harm envisaged by critics. But the operative words are 'at an aggregate level' – particularly, though not exclusively, as regards the potential for harm.

1.3 Objectives

The major goal of this research is to see how free trade agreements affect Uzbekistan's economic growth and compare it to other nations using statistical data.

Chapter 2 Literature review:

1) **Kakhkharov Jakhongir (2004)** he studied Uzbek–Russian economic relations and the impact of the Russian economic performance on Uzbekistan's growth and foreign trade .He analyzed both countries trade benefits by using import export figures from 1991 to 2001

2) **Lawrence (1999)** asserted that FTAs had dynamic welfare enhancing characteristics, such as more economic integration than tariff elimination; decrease in barriers to services trade, foreign investment, and other economic activities not covered by the GTT/WTO, as was the case with NAFTA

3) **Hudgins (1996)** suggested that, while multilateral trade liberalization is preferable, governments should take advantage of the chance to negotiate bilateral and regional free trade agreements, even if they result in some trade diversion. FTAs, according to Hudgins, can be more effective than the WTO in addressing challenging trade barriers since compromise and consensus are easier to achieve with smaller groups than with larger ones. This will provide WTO members the impetus they need to move on with new trade rounds.

4) **Nabi Ziyadullaev (2020)** He studied The Republic of Uzbekistanand the Eurasian Economic Union integration opportunities and how it effect on country's growth using statical

datas

5) **Huijskens, Rico (2017)** This article investigates how free trade agreements (FTAs) affect cross-border trade flows, as well as whether this effect differs across industrialized and developing nations. A panel dataset is employed to perform the empirical analysis, which includes 31 developed and 31 developing nations from 1995 to 2014. The regression models are based on the gravity equation and are estimated using the ordinary least squares (OLS) estimation methodology with time and bilateral country fixed effects, with the latter addressing the problem of FTA endogeneity.

6) **Stiglitz, (2012)** Opponents of free trade argue that it is to blame for the majority of the country's economic difficulties, including job losses, a sagging manufacturing sector, rising inequality, and poverty.

7) FTAs, according to **Bhagwati (2000)**, thwart the growth of the multilateral trading system and act as a stumbling block to global trade liberalization. Bhagwati came to the conclusion that FTs are discriminatory and hence traffic diverting.

8) **Muhammad Sofjan (2016)** investigated The Economic Impact of Free Trade Agreements and Attempts at Trade Liberation in Indonesia in order to: examine the effect of trade liberalization on the volume of exports and imports; analyze state revenue regarding aspects of international trade, such as import duty; and provide a detailed investigation of the relationships between trade

liberalization, poverty and inequality in Indonesia. . To evaluate the impact of liberalization on export and import activities in Indonesia, an empirical analysis is undertaken by adding liberalization factors to the import and export demand functions. The findings show that trade liberalization policies, as measured by export taxes and import levies, have a negative impact on exports and imports in this country. To cope with financial concerns, it may be concluded that trade liberalization policies can still increase import volume. The openness of a country's economy can also have an impact on its poverty and inequity levels. The findings show that trade liberalization has a negative impact on poverty and may help to lower poverty levels in Indonesia.

9) **MISS TA SO MI (2017)** attempts to discover and analyze Vietnam's engagement strategy in FTA

10) **Tinbergen (1962)** proposed that bilateral trade flows between any two nations obey the gravity equation, which led to widespread usage of the gravity model for ex-post evaluations of PTs. According to the gravity model, trade between two nations has a positive relationship with their sizes and is inversely related to their distance. The addition of explanatory variables to this model is one of the alterations of gravity models.

11) **Deardorff and Stem (1991)** present a different criticism of Krugman's (1991) finding that bilateralism is undesirable. They argue that Krugman's differentiated-product assumptions drive his

result. They present an alternative model with an arbitrary number of countries in which all countries produce and consume two goods. Consistent with a Heckscher–Ohlin view of the world, countries differ in terms of their autarky prices.² The countries form free trading areas in which members place zero tariffs on the goods of fellow members and place prohibitive tariffs on the goods of non-members. A country gains from joining a trading bloc if and only if its group contains trading partners whose relative autarky prices are jointly different from its own. In this model, Deardorff and Stem show it is probable that a set of bilateral agreements can capture the bulk of the potential gains from free world trade.

2.1 Recent studies on free trade

On this basis, Deardorff and Stem conclude that regional trading arrangements are likely to increase welfare. They recommend that the General Agreement on Tariffs and Trade (GATT) recognize the importance of regional arrangements in the modern system and work to ensure their compatibility with liberal multilateral trade. While these papers yield insight into the welfare impact of adopting regional trading blocs as a substitute for multilateral free trade, they do not address the central question of whether such agreements interfere with progress on multilateral trade liberalization. There are two readily apparent ways in which

bilateral trade agreements could undermine multilateral liberalization: Countries could abandon multilateralism in anticipation of future bilateral agreements; or countries could sign bilateral agreements before a multilateral accord is concluded and then lose the desire to pursue multilateralism further.

Indeed, this study will demonstrate how bilateral free trade agreements may erode political support for multilateral free trade accords. This is achieved by a political economic strategy similar to **Mayer's (1984)**, in which a simple majority of voters is required. A proposed bilateral free trade agreement is offered to agents first, followed by a multilateral free trade deal. In a trade model like the one presented by **Helpman** and **Krugman**, each prospective agreement provides agents new equilibrium prices and product variety (1985). For a trade deal to pass, it must get the backing of a majority of voters. To pass a proposal, a majority vote is necessary.

2.2 Previous studies on bilateral trade using a gravity model method

Lee and Lee (2005) This is a comprehensive study from a Korean perspective of the issues and potential economic and noneconomic benefits that may be derived from a Korea–U.S. FTA. The authors analyze the U.S. trade negotiating strategy and process for FTA negotiations, the characteristics of U.S.

FTAs, and Korea's FTA strategy.

Schott, Bradford, and Moll (2006) This policy brief builds upon the previous analyses of Choi and Schott (2001, 2004) noted above and addresses the issues involved in a Korea-U.S. FTA. The authors review the objectives of the United States and Korea in pursuing an FTA, document recent developments in their bilateral trade in goods and services and FDI, and review the bilateral disputes in the WTO. They then report the results of a gravity modeling analysis of the FTA.

Vinh Nguyen Thi Thuy(2019) The Impact of Exchange Rate Volatility on Exports in Vietnam: a Bounds Testing approach This paper investigates the impact of exchange rate volatility on exports in Vietnam using quarterly data from the first quarter of 2000 to the fourth quarter of 2014.

The paper applies the autoregressive distributed lag (ARDL) bounds testing approach to the analysis of level relationships between effective exchange rate volatility and exports. Using the demand function of exports, the paper also considers the effect of depreciation and foreign income on exports of Vietnam. The results show that exchange rate volatility negatively affects the export volume in the long run, as expected

Hypothesis

Based on the literature framework, the following hypotheses are advanced:

Hypothesis 1: There is a positive effect of free trade agreements on import and export of Uzbekistan

Hypothesis 2: There is a negative effect of FTA on economical growth

Hypothesis 3: There is a drawbacks of free trade agreements

Chapter 3 Analyzing economic impact of trade relationships of Uzbekistan

3.1 Bilateral trade with neighbor countries

Uzbekistan has signed trade agreements with 47 countries granting most-favoured-nation treatment. It has also signed bilateral investment agreements with 52 countries, but five of these have not yet come into force. In 2020, the country became an observer in the Eurasian Economic Union (EAEU). Uzbekistan is not a member of the WTO but is working towards joining. In 2004, Uzbekistan and Russia signed a strategic framework agreement that also includes free trade and investment concessions. In November 2005, the government signed the "Alliance Relations Treaty" with Russia, which included provisions on economic cooperation. The 2004 agreement between Uzbekistan and Ukraine removes all bilateral trade barriers. Uzbekistan's membership in the CIS Free Trade Zone was formalized in 2014. Uzbekistan currently has free trade agreements with ten countries, all former members of the Soviet Union. On April 9, 2021, the European Union accepted Uzbekistan as the ninth beneficiary of its expanded Generalized System of Preferences (GSP+) trade agreement, which eliminates tariffs on two-thirds (6,200 titles) of product lines covered by the DSP. The "Treaty between the Government of the Republic of Uzbekistan and the Government of the United States of America on

the Promotion and Mutual Protection of Investments" was signed in Washington, D.C. on December 16, 1994. signed and shortly thereafter ratified by Parliament Uzbekistan. . The United States.However, the government has not acted to bring this agreement into effect. In 2004, Uzbekistansigned the Regional Framework Agreement on Trade Investments (TIFA) with Office of US Trade Representative and four of its Central Asian neighbors: Tajikistan, Turkmenistan, Kazakhstan and the Kyrgyz Republic.

Uzbekistan vs Kyrgyzstan

Uzbekistan and Kyrgyzstan plan to boom trade turnover to US\$2 billion, effectively doubling exchange from 2021's US\$951 million.The settlement became reached on the 4th meeting of the plenipotentiary representatives of the President of Kyrgyzstan in the border regions and the council of khokims of the border areas of Uzbekistanin Osh.According to the Kyrgyz authorities, the assembly was attended via the heads of presidency of the 2 countries – high minister of Uzbekistan Abdulla Aripov and Chairman of the Cupboard of Ministers of Kyrgyzstan Akilbek Japarov.

According to the nation facts committee of Uzbekistan, the alternate turnover with Kyrgyzstan in 2021 amounted to US\$952 million (up 5% from 2020's US\$907.2 million), with exports from Uzbekistan dominating – US\$791.1 million, with Kyrgyzstan exports to Uzbekistanstan ending at US\$161.5 million. Kyrgyzstan accounts for two.Three% of Uzbekistan's overseas trade – it's far

the 6th largest overseas exchange associate after Russia(17.Nine%), China (17.7%), Kazakhstan (9.Three%), Turkey (eight.1%) and South Korea (4.5%).The talks targeted on crucial troubles of bilateral cooperation and electricity, agriculture, delivery, move-border change, tourism, cultural-humanitarian spheres.Abdulla Aripov mentioned that industrial cooperation among the 2 international locations is actively developing, vital joint initiatives inside the discipline of power, shipping and logistics are being applied. The uzbek-kyrgyz development fund with a capital people\$200 million has been released to financially support the tasks.

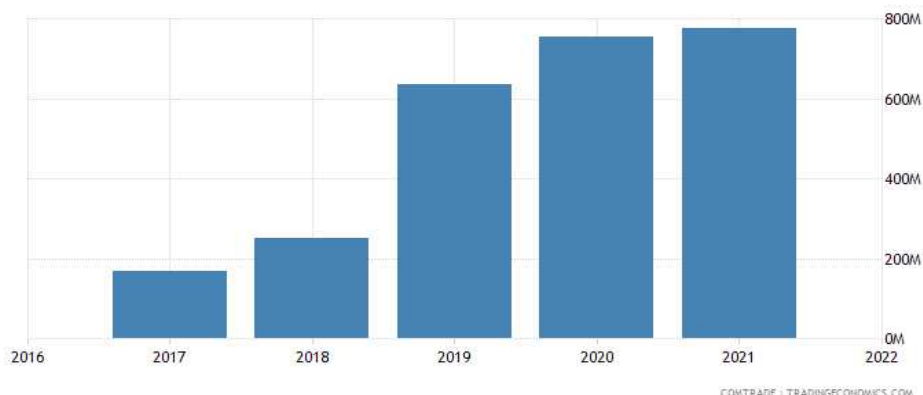
Akilbek Japarov mentioned that “Kyrgyzstan and Uzbekistan nevertheless have extraordinary untapped ability in the change and economic sphere, and on this regard it's far necessary to take concrete practical measures to establish direct contacts among nearby administrations and enterprise circles”.The parties discussed the development of the irkeshtam-daroot-korgon-Uchkurgan road, the development of a go-border change and logistics center in Kyzylkiya, in addition to joint infrastructure initiatives that might use the potential of the new development fund.

The meeting mentioned the implementation of a project to create a complicated of cotton and textile clusters in Nookan district, Jalal-abad vicinity (Kyrgyzstan), which incorporates a ginnery, yarn manufacturing facility, textile factory and device-tractor park and a

plant for the production of vegetable oil. The Kyrgyz side provided increasing substances of cement, coal, quartz sand, potatoes, milk and dairy products to Uzbekistan. The events touched upon the implementation of tasks in Kyrgyzstan on the improvement of the system-building industry and the company of meeting of motors and agricultural equipment. The council advised the administrations of namangan and jalal-abad regions to accelerate the established order of joint farms for the breeding of livestock and sheep, inclusive of using cluster mechanisms.

Akilbek japarov proposed to set up a kyrgyz-uzbek friendship park in Osh to mark the 30th anniversary of the status quo of diplomatic relations among the two nations. Following the meeting, the parties exchanged notes on mutual recognition of certificates of vaccination in opposition to Covid-19. Kyrgyzstan is a full member of the eurasian monetary union, while Uzbekistan lately obtained observer popularity, normally a precursor to club. The deal is giant for Bishkek as Uzbekistan has valuable alternate agreements with the European Union and Uk, and indicates a developing realisation that elevated bilateral exchange boom is wanted within relevant and South Asia as the Russian market is expected to reduce.

Figure 1 Uzbekistan and Kyrgyzstan export volume



Uzbekistan VS Kazakhstan

The trade relations between Kazakhstan and Uzbekistan – the most important states of central Asia, which are of significant importance for retaining sustainable development of the region and strengthening local cooperation. The geographical proximity between Kazakhstan and Uzbekistan permits for close interplay. However, till 2016, there were difficulties in growing a unified method to solving the assigned duties, in addition to latent leadership between the primary Presidents of states hindered the cooperation of the two international locations.

The change of leadership in Uzbekistan in 2016 had a wonderful impact at the processes taking place within the important Asian area. Initially, the appearance of Shavkat Mirziyoyev modified family members with acquaintances within the vicinity for the higher. A direction became taken for close cooperation inside the location and the creation of a protection belt across the central

Asian vicinity. “primary Asia is a single organism,” – this is how the president of Uzbekistan defined our region in an interview with the kazinform company rapidly before his country go to to Nur-sultan in 2017. As mentioned in the method moves in 5 priority areas of improvement of Uzbekistan in 2017–2021, the main path of the foreign policy of Shavkat Mirziyoyev became the location of crucial Asia. The new realities of Uzbekistan’s overseas coverage have been due to the truth that the our development depends on the development of the place. Of route, therefore, a route changed into taken to resolve key troubles of regional security, such as assistance in resolving the state of affairs in Afghanistan. Along with the solution of safety troubles, Uzbekistan promotes diverse initiatives, starting from the economic to the cultural sphere. The tandem of Uzbekistan with Kazakhstan can stimulate the strengthening of nearby cooperation. Past duration of independence, regulatory and prison files were signed, the project of that is to modify bilateral members of the family among kazakhstan and Uzbekistan. Among them are the treaty of eternal friendship (1998) and the treaty on strategic partnership (2013).

With the coming to energy of Shavkat Mirziyoyev in tashkent, the wide variety of visits and conferences between the leaders has sharply increased. The growth of ties among countries offers new contours to interstate cooperation. An example of positive tendencies is the go to of shavkat mirziyoyev on december 6, 2021,

to the capital of kazakhstan – nur-sultan. This turned into the first kingdom go to after the inauguration of shavkat mirziyoyev, during which conferences had been held and issues of making sure nearby protection had been raised, which indicates that family members with kazakhstan continue to be a concern within the republic's overseas policy.

In addition, the principle emphasis changed into located on bringing relations between the 2 neighboring countries to a new qualitative stage. The visit resulted within the signing of a statement on allied members of the family. This has turn out to be a historical occasion which can give strength to the two international locations in constructing a qualitatively new type of relationship. The primary provisions of the signed announcement are – the established order of the best interstate council, the council of interparliamentary cooperation and the council of overseas ministers of the republic of Uzbekistan and the republic of kazakhstan. In addition to the institutional norm, it was determined to focus on deepening alternate and financial members of the family, which form the premise of relations among the two international locations. The heads of state instructed the governments to take measures to boom the volume of mutual exchange as much as 5 billion usd in the coming years and up to 10 billion usd in the medium term.

Amongst other things, this file is of huge importance for the entire

place. The rapprochement of Uzbekistan and Kazakhstan, the advent of a prison and institutional framework for strengthening bilateral relations could have a high-quality impact on multilateral cooperation, in wellknown, at the rising regional protection of significant Asia.

The high-quality shift in members of the family become additionally because of the fact that the leaders of Kazakhstan and Uzbekistan are trying to find to complement and interact together, pushing aside the warfare for management. Kazakhstan is the most important economic system in principal Asia (gdp per capita in 2020 turned into over 9.1 thousand usd at cutting-edge fees), and Uzbekistan, placed in a strategically crucial region – the heart of significant Asia, has both geopolitical and demographic ability. It is able to be stated that the visits of the heads of country show the importance of associates in strengthening integration ties within the area and making sure its security. Exchange and monetary family members between Kazakhstan and Uzbekistan lie at the heart of bilateral cooperation among the countries. During the last 5 years, the development of economic cooperation has obtained new contours. Kazakhstan is Uzbekistan's biggest buying and selling associate in relevant Asia. In 2017, the 2 nations signed the method for economic cooperation for 2017–2019, which have become the impetus for the boom of the economic system and trade.

At the quit of 2017, the trade turnover reached 2 billion usd,

thereby showing an boom of 31% compared to 2016. In 2020, kazakhstan have become the 1/3 largest trading associate of Uzbekistanwith a proportion of nine.3% in overseas exchange, behind china (17.7%) and Russia(17.Four%). Kazakhstan ranked first amongst trading companions in significant asia, which confirms the significance and interconnectedness of the 2 economies.

Kazakhstan–Uzbekistan

In 2020, Kazakhstan exported \$2.14b to Uzbekistan. The primary products that Kazakhstan exported to Uzbekistanare wheat (\$593m), crude petroleum (\$129m), and semi-completed iron (\$121m). During the last 22 years the exports of Kazakhstan to Uzbekistanhave accelerated at an annualized price of 14%, from \$119m in 1998 to \$2.14b in 2020.In 2020, Kazakhstan did no longer export any services to Uzbekistan.

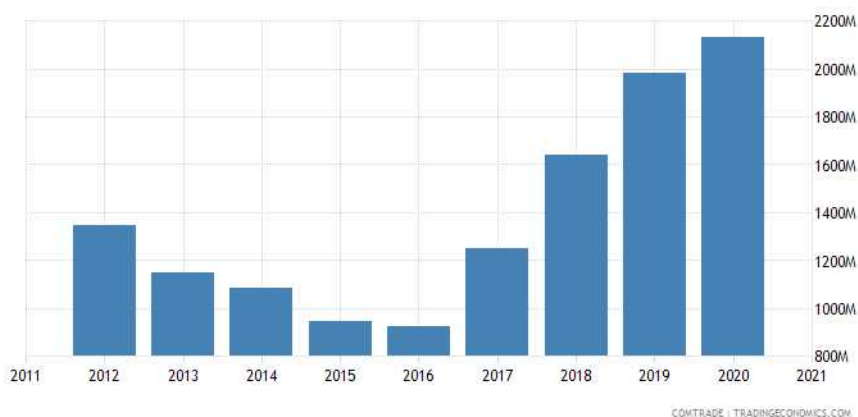
Uzbekistan–Kazakhstan

In 2020, Uzbekistanexported \$750m to Kazakhstan . The primary products that Uzbekistanexported to Kazakhstan were cars (\$136m), pitted fruits (\$forty four.2m), and petroleum gasoline (\$44m). Over the last 22 years the exports of Uzbekistanto Kazakhstan have expanded at an annualized rate of 10.Four%, from \$85.4m in 1998 to \$750m in 2020.In 2020, Uzbekistandid not export any services to Kazakhstan.

Kazakhstan exports to Uzbekistanbecame US\$2. Thirteen billion all through 2020, in keeping with the United Nations comtrade

database on Global trade.

Figure 2 Kazakhstan exports to Uzbekistan– facts, ancient chart and information – changed into last updated on can also of 2022.



Nur-sultan – bilateral exchange among Kazakhstan and Uzbekistan accelerated by means of 33 percentage and reached \$4.3 billion on the quit of 2021. This changed into announced on the assembly of Kazakh prime minister alikhan smailov with uzbek president shavkat mirziyoyev in tashkent on February. It's miles mentioned that approximately three,000 joint corporations perform in Kazakhstan and Uzbekistan. Cooperation in the field of engineering, light enterprise and the processing sector have established nice consequences. 5 initiatives were launched in the vehicle enterprise, agricultural equipment manufacturing and fabric enterprise. Seven tasks worth \$365 million are expected to launch within the construction enterprise and mechanical engineering. The crucial asia worldwide center for commercial cooperation is also expected to launch on the border of the two countries. Water

control within the syrdarya river basin and irrigation water provision throughout the growing season had been additionally at the agenda at the talks.

Kazakhstan and Uzbekistan have signed a roadmap to heighten bilateral cooperation inside the subject of agriculture inside the medium time period. Kazakhstan's food contract organization agreed to buy vegetables and potatoes from Uzbekistan.

Basic, agreements worth \$661 million in mechanical engineering, agri-commercial complicated and logistics have been signed as part of the visit. Uzbekistan and Kazakhstan intend to resume rail and bus passenger delivery offerings, said kazinform. Kazakh deputy minister of enterprise and infrastructural development Berik Kamaliev and deputy minister of shipping of Uzbekistan abdu samat muminov mentioned the problems on easing epidemiological necessities and resuming passenger transportation via land as part of the Uzbek-Kazakh operating organization's meeting on February 13. New flight routes also are anticipated. Passenger visitors among the 2 nations become suspended in march of 2020 due to the pandemic. Air visitors between Uzbekistan and Kazakhstan resumed in September of 2020.

Uzbekistan VS Turkmanistan

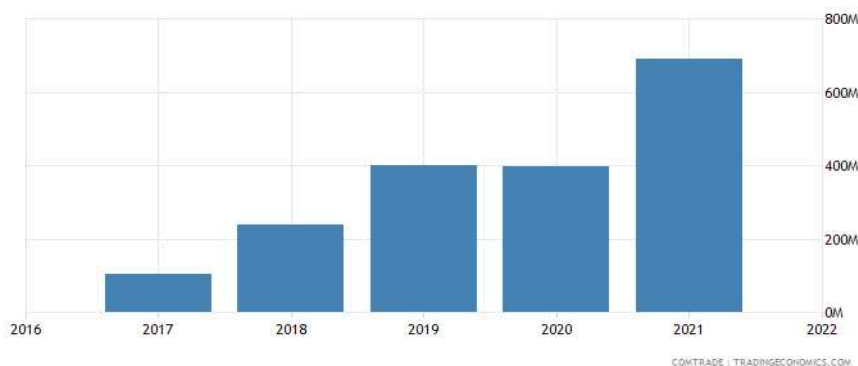
Alternate turnover among Turkmenistan and Uzbekistan has tripled over the last few years, minister of investment and overseas change of the republic Sardor Umurzakov stated at the turkmen-uzbek

financial discussion board on monday, sputnik Uzbekistan news enterprise mentioned. It changed into additionally referred to that for eight months of this year, change among neighboring states extended by means of 25% and amounted to usd 418.1 million.

All through the meeting, Umurzakov said that this year Uzbekistan became the beneficiary of the ECU's GSP+ system of possibilities, which lets in importing extra than 6 thousand distinctive sorts of goods to Europe obligation-unfastened. As he mentioned, marketers of the two nations can jointly use this opportunity to collectively broaden industry and exports. In line with information, in 2020 the alternate turnover among the 2 nations amounted to 527 million usd. Inside the framework of the ashgabat settlement, each countries take part within the introduction of sub-nearby shipping corridors

Russia-Kazakhstan-Uzbekistan-turkmenistan-iran-oman-india and china-imperative Asia-Caspian-South caucasus-europe, which allows direct get right of entry to to overseas market

Figure 3 Uzbekistani imports from Turkmenistan



Uzbekistan imports from Turkmenistan changed into US\$688.91 million at some stage in 2021, in step with the united international locations comtrade database on global change. Uzbekistan imports from Turkmenistan – statistics, historic chart and records – became final updated on may additionally of 2022.

UzbekistanVS Tajikistan

Development and strengthening of bilateral cooperation between Tajikistan and Uzbekistanis of strategic significance not handiest for the future of two peoples but additionally for making sure peace, balance and security for the duration of the area.The quantity of trade between Tajikistan and Uzbekistanafter the january fall become capable of get better in february 2019, reports asia plus.For the primary two months, the two neighboring nations won \$ 29,nine million among them. Tajik exports were worth \$ 15,sixty seven million, and items really worth 14,2 million had been imported from Uzbekistan, according to the customs provider under the government of Tajikistan.

The tajik-uzbek bilateral trade elevated through three percentage (by using \$ 987,000) in january-february 2019 as compared to the equal duration remaining year. The change turnover among the 2 international locations changed into \$ 28,9 million in january-february 2018.

In the meantime, the extent of tajik exports exported to Uzbekistan decreased by \$ three million, while the import of uzbek goods in Tajikistan grew through nearly \$ four million.

Notwithstanding this, Uzbekistan remains the most effective neighboring With which Tajikistan has a nice stability, exports succeed over imports by way of \$ 1.4 million. Bilateral alternate among Tajikistan and Uzbekistan declined notably in january after continuous increase in latest years.

Consistent with the facts business enterprise beneath the president of the republic of Tajikistan, the exchange turnover between the 2 international locations amounted to barely extra than \$ 10.2 million in january 2019, which is almost 35 percent much less than the same period ultimate year.

Previous to this, over the past 4 years, the tajik-uzbek trade multiplied almost 22 instances, from \$ 13 million by the cease of 2014 to almost \$ 287 million in 2018. Tajikistan resources the neighboring republic with primary aluminum, electricity, cotton fiber, ore, cement, raw skin, cocoon, raw silk, various fabric, alcoholic beverages, carpets, etc. Herbal fuel, fabric products,

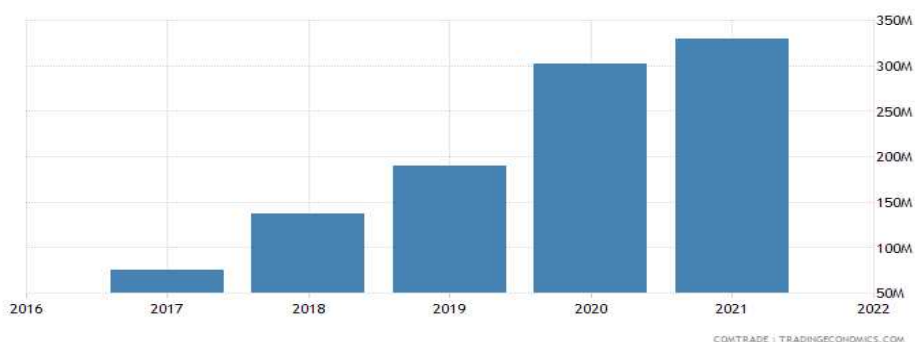
mineral fertilizers, plastics, shoes, ceramic products, non-ferrous metals, electrical and mechanical gadget are imported from Uzbekistan to Tajikistan.

Diplomatic relations among Uzbekistan and Tajikistan were hooked up on October 20, 1992. Having come to strength in December 2016, the contemporary head of Uzbekistan, Shavkat Mirziyoyev, firmly stated that he intends to improve family members with neighbors. In November 2017, the Ministry of Foreign Affairs of Uzbekistan introduced "deep changes in the Tajik-Uzbek members of the family".

For the reason that the beginning of 2018, more than 10 checkpoints have opened at the border of the two countries. Uzbekistan has restored the Galab-Amuzang railway line. Shavkat Mirziyoyev visited Dushanbe with an official visit on March 9-10, 2018. In days, the President of Tajikistan and the President of Uzbekistan signed over 27 files. Mainly, the parties determined the deadlines for demining the Tajik-Uzbek border, abolished visas and agreed to absolutely restore air visitors. It's miles planned to outdoor communication between Dushanbe and the Uzbek towns of Bukhara and Samarkand in 2019, in which a massive wide variety of ethnic Tajiks live. Uzbekistan and Tajikistan are counting on an increase in change turnover to \$ 500 million by means of 2020. Uzbekistan exports to Tajikistan become US\$329.68 million all through 2021, in step with the United Nations Comtrade

database on international change

Figure 4 Uzbekistan export volume to Tajikistan



3.2 Trade relationships with Uzbekistan and Russia

For more than a century, the Russian and Uzbek economies were integrated into an unified economy. During these years, the two nations established a network of profound economic, scientific, cultural, and military ties. There are well-developed technological and supplier-buyer relationships between businesses and, in certain cases, whole sections of Russia's and Uzbekistan's economy. During the years of independence, the number of trade and economic linkages dropped, but the vast majority of relationships in the intricate web of Bilateral economic interactions were not severed. Russia's strong macroeconomic performance has a positive impact on the Uzbek economy. This was notably evident in 2001. Since gaining independence, Uzbekistan's ties with Russia have

progressed through three distinct periods. Russia withdrew from Uzbekistan and the other former Soviet republics in the first stage, which began following the breakup of the USSR in 1991 and lasted roughly until 1995. Russia does not consider economic connections with the former Soviet republics to be favorable since they were based on concessions and barter rather than market conditions.

Aside from that, Moscow was preoccupied with the internal turbulence that accompanied the early phase of economic and political changes. The transition to global pricing in Uzbekistan trade immediately resulted in a decrease in Uzbek–Russian trade volume. Whereas Russia accounted for 53.1 percent of Uzbekistan's exports and 52.9 percent of imports in 1992, it was decreased to 38.6 percent and 36.3 percent, respectively, in 1995. Uzbekistan built commercial connections with developed Western nations such as the United States, Germany, Japan, France, Italy, and others, and refocused its foreign trade and economic contacts on these countries. In reality, Uzbekistan's international trade with non-CIS nations grew at the fastest rate among Central Asian countries.

Further deterioration in bilateral ties occurred when Russia requested that Uzbekistan deposit a significant portion of its gold holdings with the Russian Central Bank in order to remain in the ruble zone. This was an unacceptable demand for Uzbekistan.

In 1993, the government of Uzbekistan chose to leave the ruble zone and create its own national currency.

From 1994 through 2000, Russia made steps to restore its political and military dominance in Central Asia. Uzbekistan too felt the need to reestablish previous ties with Russia.

The Russian–Uzbek reconciliation was notably evident during Tajikistan's civil war, when the Uzbek Army fought alongside the Russian Army for the sake of peace in the nation, and both Uzbekistan and Russia played a significant role in ending the conflict in Tajikistan. Uzbekistan and Russia's military cooperation has been strengthened by a shared determination to combat Islamic extremism, which is the most severe threat to both nations' southern frontiers. This also cleared the door for major improvements in bilateral commercial relations, leading to the signing of trade and economic accords with Russia. However, the substantial improvement in economic cooperation did not enhance the stature of bilateral economic cooperation in comparison to its pre-independence levels.

Even after more than 13 years since the dissolution of the USSR, the significance of the Russian economy for Uzbek economic development is evident. In 2000, the Russian–Central Asian trade was projected to be worth \$7 billion. This accounts for just around 5% of Russia's overall international commerce. Russia, on the other hand, has historically relied heavily on Uzbek cotton for

its textile sector. Indeed, Uzbekistan accounts for nearly 90% of Russia's cotton imports. Aside from cotton, Uzbekistan exports automobiles, textiles, and food items to Russia and imports industrial equipment, lumber, and other building materials. In terms of sales volume, the Nexia brand of automobiles built by joint venture UzDaewooAuto topped the list of the most popular foreign-made cars sold in Russia in 2001. In terms of informal commerce, Russia has remained Uzbekistan's primary commercial partner. Thousands of tiny "shuttle" traders transport thousands of tons of Uzbek fruits and vegetables to Russia through trucks, trains, and planes. to increase its business presence in Uzbekistan Russia is also actively involved in the privatization process as well as the growth of oil and gas extraction. There is a stronger readiness to expand commercial connections bilaterally rather than inside the framework of the CIS. For example, the Uzbek State Property Committee and the Russian Fund for Social Protection of Military Servants agreed to sell 51 percent of the shares in the Uzbek Joint Stock Company Photon. The Russian partner will spend \$2.88 million in kind by supplying Photon with technological equipment and has agreed to maintain the enterprise's main production profile—manufacturing of the element basis for electronics—alive. In addition, the State Property Committee is in talks with another Russian business about selling 39 percent of the shares in State Joint Stock Company (SJSC) Uzkabel. The significance of Russian

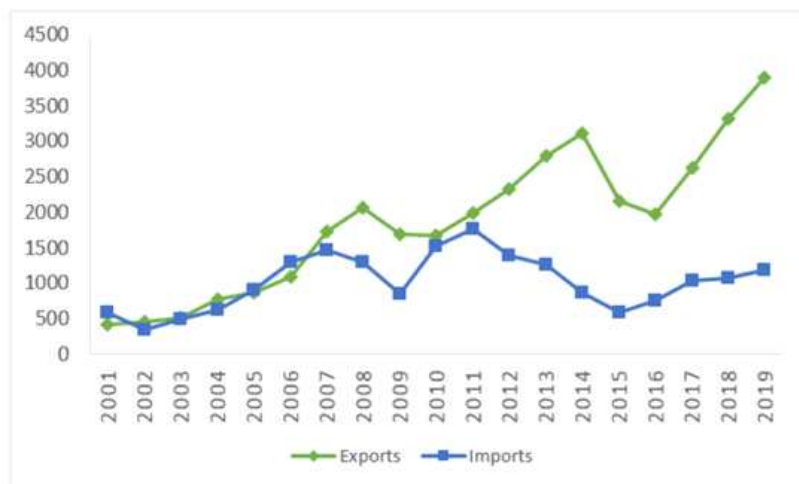
import demand for Uzbek economic performance may be demonstrated further by using the 1998 Russian economic crisis as an example. According to Uzbekistan Economic Trends, a sharp drop in demand for Uzbek goods in Russia as a result of the crisis compelled Uzbek exporters to divert a portion of their shipments to non-CIS nations.

However, such a drastic transformation would not be without consequences. As a result, Uzbekistan Economic Trends calculated that over \$100 million in commodities remained as “excess supply” that Russian demand/market could not absorb. Uzbekistan lost an extra \$15–20 million due to increases in transportation and insurance expenses. Furthermore, the crisis caused a 16.4 percent drop in Uzbek export prices (in dollar terms), resulting in a \$44 million loss in export revenues in hard currency. The Russian issue is believed to have cost Uzbekistan \$150–160 million in missed export income. In reality, the Russian crisis had a contagious detrimental influence on the whole CIS. The crisis reduced import demand not just in Russia, but also in other CIS nations, who are Uzbekistan's economic partners. Year on year, Uzbek exports to the CIS (excluding Russia) fell by 16.3 percent in the second half of 1998, while imports fell by 16 percent.

Calculations based on statistics from the International Commerce Centre (ITC, 2020) reveal that mutual trade between the nations has grown significantly during the previous two decades. Trade

volumes grew from about \$1 billion in 2001 to more than \$5 billion in 2019.

Figure 5 Russia's export to and imports from Uzbekistan, million \$



Source: International Trade Centre

It is worth noting that Uzbekistan's exports outpaced its imports in 2001. While it provided Russia with products worth \$584 million, it imported \$409 million. The global financial crisis had a detrimental impact on bilateral trade flows. Up to 2011, excluding the time of crisis-induced trade shocks, bilateral trade between the nations was balanced, with no notable deficits in exports and imports. However, since 2011, Uzbekistan's exports to Russia have begun to decline, while Russian trade numbers have continued to rise. These changes happened during the formation of the Customs Union

between Belarus, Kazakhstan, and Russia and might be attributed to new accounting. According to trade data, although Uzbekistan's exports to Russia began to decline, its supply of products to Kazakhstan grew considerably. For example, in 2010, Russia imported \$139.3 million in vegetables and \$288.6 million in fruits from Uzbekistan. Imports of the same items fell to \$26.2 million and \$104.1 million in 2012, respectively, and continued to fall in subsequent years. Russia's fruit imports fell to a low of \$4 million in 2014. At the same time, Kazakhstan purchased from Uzbekistan vegetables and fruits worth \$42.2 million and \$30.6 million, respectively, in 2010. Imports began to grow rapidly in the years that followed. In 2012, the equivalent imports were \$65 million and \$198.6 million, respectively. Kazakhstan spent \$284.2 million on fruit purchases in 2014. It is worth noting that Kazakhstan's vegetable and fruit imports in 2009 were \$0.9 million and \$1.3 million, respectively. As a result, Uzbekistan's fruit exports to Kazakhstan grew by 218.6 times in 2014.

Because the bulk of Uzbekistan's population lives in rural regions, the country's economy is mostly based on agricultural output and commerce. As a result, agriculture employs a large number of people in the country, influencing trade patterns. As a result, agricultural and food items dominate Uzbekistan's exports to Russia. Calculations of agricultural product trade show significant trends in the development of the industry in both nations. For

example, in 2001, Russia purchased \$154.3 million in agricultural and food goods from Uzbekistan, accounting for 26.4 percent of total imports. Imports were \$228.2 million in 2019, accounting for 19.4 percent of total imports. Russia also became a significant agricultural and food exporter to Uzbekistan. While its exports in 2001 totaled \$34.2 million, far less than Uzbekistan's indication, Russia delivered agricultural and food goods worth \$462.3 million in 2019. As a result, Russia's position shifted from net importer to net exporter of agricultural products. It should be mentioned that Russia's proportion of overall exports to Uzbekistan grew from 8.4 percent in 2001 to 11.8 percent in 2019. While Russia imports mostly fruits and vegetables from Uzbekistan, its exports are more diverse, including milling sector goods, sugar and sugar confectionery, sunflower-seed, safflower-seed, or cotton-seed oil, buttermilk, cheese, margarine, chocolate, and many more.

Cotton exports continue to be significant for Uzbekistan, despite the fact that its proportion of total Russian exports has dropped from 45.7 percent in 2001 to 21.1 percent in 2019. During the previous two decades of bilateral commerce, there have been substantial changes in the export of automobiles. In 2001, Russia bought \$63 million in automobiles, accounting for 10.8 percent of total exports. Since the early 2000s, exports have increased dramatically, peaking in 2007 at \$633.8 million, with a corresponding proportion of 43.4 percent. The global and regional

economic crises had a detrimental impact on automobile exports, although the statistics remained strong. Motor vehicle shipments fell with the formation of the Eurasian Economic Union and subsequent changes in the trade policies of its members. In 2015, it fell to \$33.5 million. In 2019, exports totaled just \$18.7 million, and its proportion fell to 1.6 percent.

Aside from increased supply of agricultural and food goods, Russia expanded exports of other products. Mineral fuel exports, for example, surged from about \$3 million in 2001 to \$241.5 million in 2019. Mineral fuels' corresponding shares increased from 0.7 percent to 6.2 percent over the reporting period. The supply of wood goods is also increasing significantly. Exports totaled \$437.8 million in 2019, up from \$12.5 million in 2001. The proportion of wood goods grew from 3% to 11.2 percent. During the same time period, equipment and mechanical appliance supplies increased from \$60.4 million to \$418.1 million.

However, the percentage of overall exports accounted for by machinery fell from 14.8 percent to 10.7 percent. Finally, vehicle exports, mostly of automobiles, show signs of improvement. While supplies totaled \$18.8 million in 2001, with a corresponding proportion of 4.6 percent, the figures in 2019 grew to \$246.6 million and 6.3 percent, respectively. As a result, as the estimates demonstrate, Russian firms are increasing their positions in Uzbekistan. Russia transitioned from a net importer of agricultural

products to a net exporter, increasing industrial exports to Uzbekistan. Competition with Russia needs support not just for exporting industries, but also for the most impacted businesses.

In 2020, Russia exported \$4.29b to Uzbekistan. The principle products that Russia exported to Uzbekistan are refined petroleum (\$371m), sawn wooden (\$266m), and different large iron pipes (\$187m). Over the past 24 years the exports of Russia to Uzbekistan have expanded at an annualized charge of five.Ninety three%, from \$1.08b in 1996 to \$4.29b in 2020. In 2018, Russia exported offerings to Uzbekistan really worth \$629m, with journey transportation (\$156m), and other enterprise offerings (\$41.7m) being the biggest in phrases of fee.

Uzbekistan–Russia

In 2020, Uzbekistan exported \$1.74b to Russia. The primary merchandise that Uzbekistan exported to Russia had been gold (\$483m), non-retail natural cotton yarn (\$191m), and petroleum fuel (\$107m). Over the last 24 years the exports of Uzbekistan to Russia have extended at an annualized charge of 4.Forty five%, from \$613m in 1996 to \$1.74b in 2020. In 2020, Uzbekistan did now not export any offerings to Russia.

Contrast

In 2020, Russia ranked forty three inside the economic complexity index (eci 0.5), and thirteen in total exports (\$330b). That same

12 months, Uzbekistan ranked 84 within the financial complexity index (eci -zero.57), and seventy seven in overall exports (\$thirteen.9b).

Uzbekistan exports to Russia reached into US\$1.7 billion during 2021, according to the united nations comtrade database on global alternate

Figure 6 Uzbekistan export volume to Russia

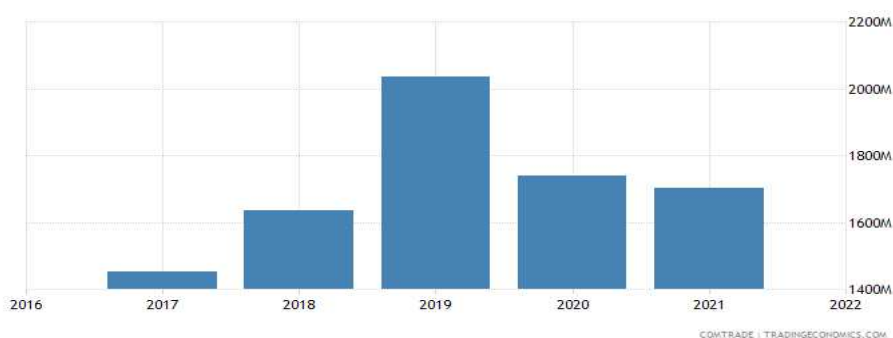


Table 1 Uzbekistan Exports to Russia

Uzbekistan Exports to Russia	Value	Year
Articles of apparel, knit or crocheted	\$340.44M	2021
Edible fruits, nuts, peel of citrus fruit, melons	\$210.49M	2021
Plastics	\$96.30M	2021
Mineral fuels, oils, distillation products	\$90.20M	2021
Knitted or crocheted fabric	\$82.30M	2021
Edible vegetables and certain roots and tubers	\$75.46M	2021
Other made textile articles, sets, worn clothing	\$63.32M	2021
Zinc	\$45.27M	2021
Copper	\$40.90M	2021
Electrical, electronic equipment	\$33.59M	2021
Pearls, precious stones, metals, coins	\$31.23M	2021
Machinery, nuclear reactors, boilers	\$29.43M	2021
Manmade staple fibers	\$29.14M	2021
Articles of apparel, not knit or crocheted	\$22.33M	2021
Wadding, felt, nonwovens, yarns, twine, cordage	\$21.98M	2021
Vegetable, fruit, nut food preparations	\$21.40M	2021
Tobacco and manufactures tobacco substitutes	\$7.97M	2021
Vehicles other than railway, tramway	\$7.13M	2021
Inorganic chemicals, precious metal compound, isotope	\$6.30M	2021
Special woven or tufted fabric, lace, tapestry	\$5.76M	2021
Aircraft, spacecraft	\$4.85M	2021
Carpets and other textile floor coverings	\$4.15M	2021
Oil seed, oleagic fruits, grain, seed, fruits	\$3.63M	2021
Railway, tramway locomotives, rolling stock, equipment	\$3.03M	2021
Articles of iron steel	\$2.90M	2021
Headgear and	\$2.88M	2021

Organic chemicals	\$2.59M	2021
Miscellaneous manufactured articles	\$2.57M	2021
Coffee, tea, mate and spices	\$2.54M	2021
Iron and steel	\$2.37M	2021
Pharmaceutical products	\$2.36M	2021
Aluminum	\$2.34M	2021
Beverages, spirits and vinegar	\$2.08M	2021
Milling products, malt, starches, inlin,	\$1.76M	2021
wheat gluten		
Articles of leather, animal gut, harness,	\$1.65M	2021
travel good		
Products of animal origin	\$1.47M	2021

In January 2022 Russia exported \$376m and imported \$140m from Uzbekistan, resulting in a wonderful trade balance of \$236m. Between January 2021 and January 2022 the exports of Russia have accelerated by way of \$123m (forty eight.4%) from \$253m to \$376m, at the same time as imports multiplied by means of \$56.7m (sixty eight.Five%) from \$82.8m to \$140m.

Alternate

In January 2022, the top exports of Russia to Uzbekistan had been delicate petroleum (\$forty nine.9m), warm-rolled iron (\$27.1m), sawn wood (\$21.1m), margarine (\$15.2m), and commodities not some other place unique (\$14.6m). In January 2022 the top imports of Russia from Uzbekistan have been non-retail natural cotton yarn (\$26.7m), precious metal scraps (\$13.5m), knit t-shirts (\$nine.95m), ethylene polymers (\$6.29m), and raw zinc (\$6.24m).

Origins

In January 2022 the exports of Russia have been particularly from

Chelyabinsk location (\$forty eight.7m), Moscow, the capital of Russian federation (\$39m), Orenburg place (\$35.4m), Moscow place (\$28.2m), and Sverdlovsk region (\$21.5m), even as imports locations were mainly Moscow, the capital of Russian federation (\$39.4m), Ivanovo location (\$25.5m), Krasnoyarsk territory (\$thirteen.8m), Moscow vicinity (\$eight.6m), and st. Petersburg (\$eight.16m).

Growth

In January 2022, the increase in Russia's year-by way of-year exports to Uzbekistan changed into defined by and large by an growth in product exports in other large iron pipes (\$eleven.1m or 583%), subtle petroleum (\$7.59m or 114%), and seed oils (\$6.01m or 60.1%). In January 2022, the increase in Russia's 12 months-by using-12 months imports from Uzbekistan become explained ordinarily through an increase in product imports in non-retail pure cotton yarn (\$three.38m or 26.Five%), tomatoes (\$2m or 256%), and knit sweaters (\$808k or forty seven.1%).

3.3 Bilateral trade relationships between South Korea and Uzbekistan

The origins of Uzbek-Korean ties may be traced back to the 7th century. The mural, which depicts two Goguryeo dynasty men wearing jougwan (a cap adorned with a bird's feather) having an

audience with the monarch, was discovered in Samarkand, Uzbekistan, when local officials chose to build a road through the heart of the Afrasiab tepe (an historic site). Full-fledged bilateral relations, however, began considerably later, when the Republic of Uzbekistan gained independence from the Soviet Union in 1991. By signing a protocol in January 1992, the two countries formalized their diplomatic ties. The Republic of Korea and the Republic of Uzbekistan have been collaborating in a variety of difficult areas since the beginning of official diplomatic ties. Since 1994, the Uzbek-Korean and Korean-Uzbek Intergovernmental Committees on Economic Cooperation and Trade have been in existence, with six combined committee sessions held thus far. Over the 21 years of diplomatic relations the two sides have laid a solid legal basis for bilateral cooperation which encompasses more than 200 documents that streamline collaboration in different fields today. Uzbekistan and Korea are separated by a great distance. Despite this, these countries have significant relationship connections. Tashkent and Seoul signed a Joint Declaration on Strategic Partnership in 2006. The two countries have high-level talks on a regular basis, reflecting the active growth of bilateral ties. Furthermore, the inter-parliamentary exchange is growing and improving. The National Assembly of the Republic of Korea established a Parliamentary Friendship Association "Korea-Uzbekistan" in 1995. The Legislative Chamber of

Uzbekistan's Oliy Majlis created the Cooperation Group with Korea in 2005. Humanitarian and cultural collaboration has also grown between the two countries. Tashkent's Korean Education Center started in 1992. Tashkent's Uzbek State World Languages University and Samarkand's State Foreign Languages Institute both have Korean language and cultural institutes, while Tashkent IT University has an IT Center established with South Korean assistance.

The Republic of Korea ranks first among Uzbekistan's Asian-Pacific trading partners. Korea accounts for more than 5% of Uzbekistan's total foreign commerce. Since 1992, the two nations have received the Most Favored Nation Treatment.

Uzbekistan is South Korea's major Central Asian commercial partner. Following the 2005 Andijan riots, which resulted in trade and economic sanctions imposed by the United States and the European Union on Uzbekistan, South Korea, along with China, Japan, and Russia, maintained commercial and trade connections with Uzbekistan with no human rights demands. South Korea and Uzbekistan inked a strategic cooperation statement in 2006, which they committed to expand and deepen further in a new Joint Declaration signed during President Park Geun-hye's visit to Tashkent in 2014. President Karimov signed 60 documents pertaining to trade, business, economic and technological cooperation, and other areas at a total worth of US\$ 7.7 billion

during his 2015 visit to South Korea. Bilateral trade turnover between the nations surpassed US\$ 1.7 billion in 2015, accounting for half of South Korea's trade with Central Asian republics. Korean Air Cargo took over operation of Navoi International Airport in 2009 and, as part of a 10-year growth plan, advanced the renovation program. Construction of Central Asia's largest air freight terminal, capable of handling 100,000 tonnes of cargo per year and outfitted with cutting-edge technology. Hanjin Group, the parent company of Korean Air, launched the cargo port at Navoi in August 2010, which now acts as the intercontinental logistics center from Central Asia. South Korea has been involved in a number of projects and initiatives in various regions of Uzbekistan, notably the Navoi and Angren free economic zones.

South Korean Prime Minister Hwang Kyo-ahn visited Uzbekistan in 2016, when he joined then-Uzbek Prime Minister Shavkat Mirziyoyev in launching the country's largest bilateral cooperation project, the Ustyurt Gas Chemical Complex in Karakalpakstan. The project cost \$4 billion US dollars. South Korea and Uzbekistan have established the joint venture LG CNS Uzbekistan in 2015 to assist the deployment of information systems and databases for E-Government in order to enable people, business, and government system mobility in Uzbekistan.

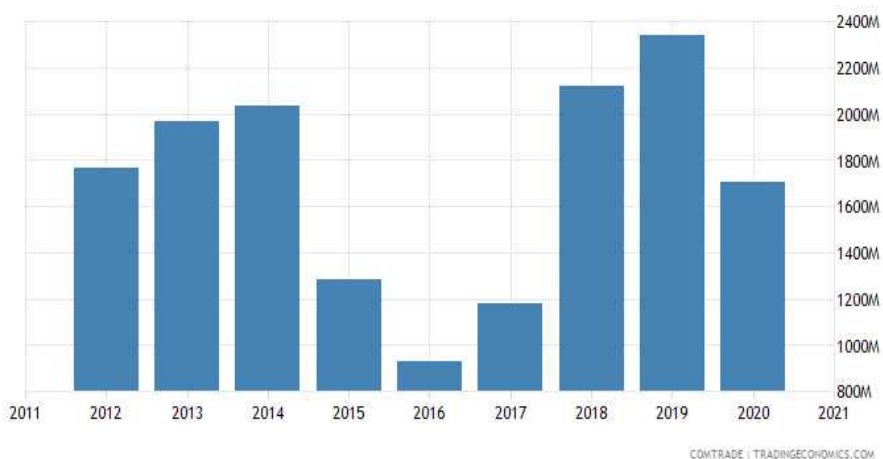
Uzbekistan and South Korea have also agreed on training programs in which thousands of Uzbek small and medium-sized company

representatives work and get training in Korean industries and corporations each year. As of 2019, Uzbekistan is South Korea's third largest partner in developing Europe and Central Asia, with commerce totaling \$2.36 billion and South Korean investment totaling \$7 billion in Kazakhstan and Uzbekistan. Uzbekistan is also the Commonwealth of Independent States' third-largest training partner, after only Russia and Kazakhstan. South Korea's primary exports include automobiles, machinery, building materials, and equipment, whereas Uzbekistan's primary exports are natural resources and agricultural goods. South Korean President Moon Jae-in paid a state visit to Tashkent in April 2019.

Following a meeting between Uzbekistan's Deputy Prime Minister Aler Ganiev and South Korea's Deputy Prime Minister Hong Nam-ki, South Korea and Uzbekistan agreed to cooperate on establishing a free trade agreement to enhance bilateral economic and trade cooperation. The two nations will have a virtual conference in March 2020 to arrange a collaborative study on bilateral free trade, with the feasibility study expected to conclude in November 2020. South Korea and Uzbekistan met in November 2020 in Seoul during the 13th Central Asia-South Korea Cooperation Forum, where they discussed the consequences and opportunities for economic cooperation in the context of the COVID-19 pandemic, as well as the removal of remaining trade barriers and improving product quality and competitiveness. The

nations proclaimed the commencement of negotiations for a bilateral free trade agreement to be known as the "Agreement for Sustainable Trade and Economic Partnership" in January 2021.

Figure 7 Uzbekistan and South Korea export volume



South Korea exports to Uzbekistan was US\$1.7 billion for the duration of 2020, in keeping with the United International locations comtrade database on worldwide exchange.

Table 2 South Korea and Uzbekistan export volume

South Korea Exports to Uzbekistan	Value	Year
Vehicles other than railway, tramway	\$928.54M	2020
<u>Machinery, nuclear reactors, boilers</u>	\$282.93M	2020
<u>Furniture, lighting signs, prefabricated buildings</u>	\$135.97M	2020
<u>Plastics</u>	\$89.24M	2020
<u>Electrical, electronic equipment</u>	\$87.96M	2020
<u>Rubbers</u>	\$22.78M	2020
<u>Articles of iron or steel</u>	\$19.43M	2020
<u>Tanning, dyeing extracts, tannins, derivatives,</u>	\$18.87M	2020
<u>pigments</u>		
<u>Optical, photo, technical, medical apparatus</u>	\$18.74M	2020
<u>Miscellaneous chemical products</u>	\$17.61M	2020
<u>Iron and steel</u>	\$15.54M	2020
<u>Mineral fuels, oils, distillation products</u>	\$13.75M	2020
<u>Organic chemicals</u>	\$7.56M	2020
<u>Miscellaneous articles of base metal</u>	\$7.10M	2020
<u>Aluminum</u>	\$3.85M	2020
<u>Pharmaceutical products</u>	\$3.71M	2020
<u>Soaps, lubricants, waxes, candles, modelling</u>	\$3.30M	2020
<u>pastes</u>		
<u>Essential oils, perfumes, cosmetics, toileteries</u>	\$2.87M	2020
<u>Manmade staple fibers</u>	\$2.64M	2020
<u>Wadding, felt, nonwovens, yarns, twine,</u>	\$2.56M	2020
<u>cordage</u>		
<u>Tools, implements, cutlery of base metal</u>	\$2.41M	2020
<u>Special woven or tufted fabric, lace, tapestry</u>	\$1.95M	2020
<u>Other made textile articles, sets, worn clothing</u>	\$1.65M	2020
<u>Miscellaneous edible preparations</u>	\$1.61M	2020
<u>Oil seed, oleagic fruits, grain, seed, fruits</u>	\$1.44M	2020
<u>Knitted or crocheted fabric</u>	\$1.31M	2020

Chapter IV. Methodology and results

The quantitative research will be chosen and used in the topic. First and foremost, the measure will help to find descriptive data about Uzbekistan's trade policy. Secondly, this study will look at the process of participation in FTAs of Uzbekistan and examine Uzbekistan's strategy in the process.

Finally, as protective industries might induce any opposition in the process of negotiation FTAs of Uzbekistan thereby, the thesis will look at political economy in Uzbekistan when Uzbekistan's government makes decision to join FTAs and investigate how government can deal with the opposition. In this paper we will use gravity model to analyse effect of trade relationships between Uzbekistan, Russia and South Korea .

The model is $\text{Log (GDP)} = A_0 + B_1 \text{ Log (Exp)} + B_2 \text{ Log(gdp)} + B_3 \text{ Log(pop)} + B_4 \text{ Log(HDI)} + B_5 \text{ Log(exchrates)} + B_6 \text{ Log(monbal)} + B_7 \text{ Log(distance)} + e$

A_0 – constant

B_1, B_2, B_3 and B_7 variable vectors

Exp– export (in million\$)

Gdp– Gross domestic products(in million \$)

Pop– population (in million people)

HDI– Human development index (in index)

Exchrates–exchange rate (in index)

Monbal – money balance (in index)

Distance – distance (in km)

4.1 Data collection

Secondary data for the study will be gathered from WTO reports, official Uzbekistan government websites, Ministry of Industry and Trade, Ministry of Planning and Investment, Ministry of Finance, books, articles, and journals. These sites will give information about Uzbekistan's trade policy, including what types of items are covered by the policies, as well as the trade bands. These sources will give information about Uzbekistan's trade policy, the types of items that are protected, the tariff bands that Uzbekistan has placed on foreign products, and Uzbekistan's financial performance. The depth-interview approach will also be used to provide the primary data to make the study more logical, concrete, and persuasive. Data on imports and exports trade relations between Uzbekistan and other countries is available in the form of panel data obtained from the Republic of Uzbekistan's Statical Committee and the World Bank (WB)

Results

In our research we will run two regression to differentiate our models result .First we run regression for Uzbekistan and Russia model to analyze how is effect free trade to Uzbekistan economy

and which factors role are much more .Second regression for Uzbekistan and South Korea which do not have free trade agreements and to see the how it effect to economy of our country.

Before all of this step we will check descriptive statistics of all used variables.In our model Export is dependent variable GDP ,Human development index ,population and exchange rate as independent variable distance as control variable

Table shows that mean, median standart deviation , maximum and minimum value of variables which is used in regression model

Table 3 Descriptive statistics of all used variables

Variable	observation	Mean	Std.Dev	Min	Max
Exp	30	7.22e+08	1.26e+09	2896.655	3.58e+09
GDP	30	1192.269	797.1731	383.3431	2753.971
HDI	30	0.7633333	0373329	0.721	.825
exchrates	30	0.1333333	0.345745	0.954	1.21
pop	30	0.94515	0.6545	211.e+05	331e+05
monbal	30	1	1	0	1
distance	30	3506	3506	3506	3506

This research will continue running regression model to identify contribution of each variables to bilateral trade between Uzbekistan and its partners. First we run gravity regression model between Uzbekistan and Russia

Table 4 Emirical results of the gravity model.

Variable	Coefficient	T value	P value
gdp	1.71e+07	1.21	0.237
HDI	1.09e+10	1.21	0.238
exchrates	1.95e+09	4.96	0.000
pop	1.79e+07	0.51	0.617
distance	0	0	0
money balance	0	0	0
C	-8.41e+09	0.192	-2.13e+10
R ²	0.8287		
Adjusted R ²	0.8013		

According to the table all variables significant and all has positive effect to bilateral trade between Uzbekistan and Russia. Gravity model result shows that GDP , HDI (Human developmet index) , population and exchange rate of Uzbekistan are statistically significant.

R square is almost 0.8287 while adjusted R square is 0.8013. Gravity result shows that if gdp increase 1 million USD dollar export will increase 1.71 million USD dollar while HDI and Exchange rate increase 1 unit export will increase 1.09×10^{10} and 1.95×10^9 USD dollar respectively.

In order to check correlation of variables we run correlation test .The result shows that variables are highly correlated

```
cor Exp GDP exchrte HDI distance pop mon bal
• (obs=30)
• Exp GDP exchrte HDI distance pop mon bal
•
• Exp1 1.0000
• GDP 0.5926 1.0000
• exchrte 0.8892 0.5460 0.7970 1.0000
• HDI 0.8098 0.8848 0.9559 0.8300 1.0000
• pop 0.7452 0.7979 0.9456 0.7919 0.9235
1.0000
• distance . . . ..
• mon bal. . . ..
```

To determine the best statistical and reliable estimation of the model, this paper compared these models. The Phillips–Perron test was conducted to check the stationary or non stationary between unobservable heterogeneity and explanatory variables.. The result shows that our model is non stationary because p value more than

0.05 and null hypothesis is rejected

•	Phillips–Perron test for unit root		Number
	of obs =	29	
•	Newey–West lags =	3	
•	Dickey–Fuller	-----	Interpolated
•	Test	1% Critical	5%
•	Critical	10% Critical	
•	Statistic	Value	Value
•	Value		
•	-----		
•	Z(rho)	0.744	-17.472
	-12.628	-10.280	
•	Z(t)	0.338	-3.723
	-2.989	-2.625	
•	-----		
•	-----		
•	MacKinnon approximate p-value for Z(t) =	0.9790	

Table 5 shows gravity model for Uzbekistan and South Korea

Variable	Coefficient	T value	P value
gdp	0.4370423	2.58	0.016
HDI	149.9747	2.47	0.021
exchrates	12.85832	2.00	0.056
pop	-2.027157	-2.18	0.039
distance	0	0	0
money balance	0	0	0
C	-64.63025	-2.21	0.037
R ²	0.3597		
Adjusted R ²	0.2573		

It is clear from the gravity result of Uzbekistan and South Korea model that GDP , human development index and exchange rate are significant and all have positive effect on export except population. If GDP increases 1 million USD dollar export will increase 0.4370423 million USD dollar. In both results money

- pop | 0.3063 0.0638 1.0000
- HDI | 0.3330 -0.0142 0.9674 1.0000
- exchrte | -0.3157 -0.4109 0.5253 0.4756
1.0000
- mon bal |
- distance |
. .

The Phillips–Perron test was conducted to check the stationary or non stationary between unobservable heterogeneity and explanatory variables.. Result shows that model is stationary because p value is 0.0081 less than 0.05

- | | Phillips–Perron | test | result |
|--------------------------------------|-----------------|------|--------------|
| • Phillips–Perron test for unit root | | | Number of |
| obs = 29 | | | |
| • | | | |
| Newey–West lags = 3 | | | |
| • | ----- | | Interpolated |

Dickey-Fuller -----			
•	Test	1% Critical	5%
	Critical	10% Critical	
•	Statistic	Value	Value
	Value		
•	-----		

•	Z(rho)	-17.909	-17.472
	-12.628	-10.280	
•	Z(t)	-3.495	-3.723
	-2.989	-2.625	
•	-----		

MacKinnon approximate p-value for $Z(t) = 0.0081$

According to the tests making free trade can effect significantly increasing export capability of Uzbekistan . Also there is some restrictions and visa problems between South Korea and it effect considerably to small businesses to export their goods and learn and entering South Korean market.

V. Conclusion

Uzbekistan is undergoing substantial socioeconomic changes, with the goal of becoming one of the most sophisticated CIS countries with an open economy. For the first time in 30 years, new essentially foreign commercial interactions are clearly established on pragmatism and the most flexible application of current realities and national interests. Uzbekistan has constantly changed the vectors of international cooperation, while maintaining the ability to balance its own interests between global players in Central Asia – Russia, China, South Korea, the United States, and the European Union – by strengthening or weakening one or another vector of its policy. It has now developed a science-based strategy to ensure economic security, taking into account its competitive advantages and own national interests, and actively broadening its international economic relationships.

Russia and South Korea are big trade partners from early years of independence of Uzbekistan. Russia is number one target country of Uzbekistan exporting products mostly agriculture, cars and food products. Because logistic and custom advantages helps to improving export volume. Unfortunately South Korea and Uzbekistan still does not exist free trade agreements. But year by

year trade relationships getting stronger by making some agreements.

Even in the midst of a worldwide pandemic, Uzbekistan held seminars and discussions with Korea about a prospective free trade agreement last year (FTA). However, Uzbekistan would actually stand to gain the most from free trade, despite the fact that Korea has been pressing for the pact more vigorously so far. There are many opportunities for cooperation between the two nations. Uzbekistan relies mostly on its resources and access to inexpensive labor, whereas Korea is rich in both technology and capital. Being its third-largest commercial partner after regional giants Russia and China, Seoul has a disproportionately strong impact on Tashkent. In order to interact with the larger region, South Korean last President Moon Jae-in has pushed trade liberalization. A key accomplishment of his New Southern Policy, which aimed to improve relations with Asia Pacific nations, was the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement agreed by 15 Asia-Pacific nations in November. The FTA with Uzbekistan would be a real victory for the New Northern Policy, which aims to improve ties with Mongolia, Central Asia, and Russia. This paper concludes that Uzbekistan has been gaining more benefit from bilateral trade between Russia due to the free trade agreements. Simultaneously, Uzbekistan has huge trade deficit between South Korea. Even though we are increasing

export volume year by year but still our import significantly more .

Because of this factors making free trade agreements is beneficial to both countries especially for Uzbekistan. If a free trade deal is made, Uzbekistan will become the first former Soviet country to have a free trade agreement with Korea. Additionally, it would be Uzbekistan's first-ever deep trade pact. The advantages for Uzbekistan outweigh the drawbacks

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Appendix

[Appendix 1] Source of data for variables

Export: UN Comtrade (<https://comtrade.un.org/data/>)

Import: World Bank (<https://data.worldbank.org/>)

Population: World Bank (<https://data.worldbank.org/>)

Exchange rate: World Bank (<https://data.worldbank.org/>)

Human development index: World Bank
(<https://data.worldbank.org/>)

국 문 초 록

- 우즈베키스탄 자유무역협정의 경제적 영향분석 -

한 성 대 학 교 대 학 원
국 제 무 역 경 제 학 과
국 제 무 역 시 장 전 공
백 조 드 존 유 수 포 프

본 논문의 주요 목적은 우즈베키스탄과 그 무역 파트너들 사이의 자유 무역이 경제에 미치는 영향을 검토하기 위한 것이다. 분석에는 1991년부터 2020년까지 30년간 자유무역협정(FTA)이 체결되지 않은 러시아와 한국과의 중력 모델을 활용한다. 회귀 분석 결과는 GDP와 환율이 양국 교역량에 긍정적인 영향을 미친다는 것을 보여준다. 인간의 발전은 양국 간 무역에도 긍정적인 영향을 미치는데, 본 연구에서는 우즈베키스탄이 자유무역의 혜택을 어떻게 받는지, 그 단점은 무엇인지 짚어본다.

{Keyword} 양국 무역, 중력 모델, 한국, 러시아, 우즈베키스탄