

## WORLD TRADE ORGANIZATION AND ITS ROLE IN THE ECONOMIC GROWTH OF COUNTRIES

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**Abstract:** This article discusses the role of the World Trade Organization in the economic growth of countries. The problems of the Uzbek economy and the role of the WTO in solving them were also discussed. This article examines how to solve the logistics problems that are a big problem for the economy of our country within this organization and the role of this organization in the development of economic relations with neighboring countries.

**Keywords:** *economic growth of countries, World Trade Organization, soft and hard infrastructure, foreign trade, economic performance.*

**Introduction.** After the President of the Republic of Uzbekistan Sh.M.Mirziyoyev came to power in 2016, the country began to pay more attention to the economy. Although 2017 was named the Year of People-to-People Relations and Human Interests, 3 next years have been dedicated to economic development. 2018 was named the "Year of Active Entrepreneurship, Support of Innovative Ideas and Technologies", 2019 was named the "Year of Active Investment and Social Development" as a logical continuation of last year's reforms. In the address of the President to the Oliy Majlis on January 24, 2020, it was named the "Year of Science and the Digital Economy". And it was during these years that the issue of Uzbekistan's membership in the World Trade Organization was re-recognized. Our country was the first Central Asian country to apply for membership in 1994, before the organization was renamed the WTO, and it is still in negotiation. Of course, the protracted nature of the negotiations is due to the fact that for some time, WTO membership has been largely ignored by those in the power. This is one of the biggest obstacles to the liberalization of our economy. Today, the WTO has 164 member countries and 99.9% of the WTO's share in world trade shows how important this organization is [1]. The membership of three Central Asian countries - Kazakhstan, Kyrgyzstan and Tajikistan - can open the door to great opportunities for our economy.

**Related literature to the topic.** The issue of WTO membership and its impact on the country's economic growth has always been in the focus of economists. Foreign scientists Marc Bacchetta, Zdenek Drabek, Kyle Bagwell, Robert Staiger, Irina Kolesniko, Mark S., Olin B., Rutherford T. and other scholars wrote about these problems in their works. These scientists analyzed the interrelationship between the World Trade Organization and the country's economic growth.

Anisimov E.D., Barsukova S.Yu., Belyakova A.M., Makoyev S.N. have studied the impact of WTO membership on the country's agricultural sector on the example of Russia. Brink L., Kazanseva O. have studied the impact of WTO membership on the agricultural sector for CIS countries.

Economist Tang Wei (2009) conducted a country-by-country study and concluded that 5 years after joining the World Trade Organization, a country's economy grows by an average of 2.5%.

In addition, the president of our state Sh. Mirziyoyev pays great attention to this issue "... we are looking, we want to join big integrations. Everyone says differently: we will give independence ... the Uzbek nation will never give independence, no matter who it is...[2]

**Research methodology.** Theories of WTO membership and the rules governing trade of the WTO and the laws of the Republic of Uzbekistan serve as the main methodological basis for the implementation of this topic. The main purpose of the article is to study the articles and opinions of foreign and local scientists and apply these results in the economy of our country. In addition, methods such as theoretical observation, scientific abstraction, comparative analysis, mathematical and statistical grouping were used in the study.

**Analysis and results.** After the Second World War, the volume of trade between the countries of the world fell and in this context, something needs to be done to increase trade. And the GATT (The General Agreement on Tariffs and Trade) was signed in 1947 between the leaders of 23 countries and came into force on January 1, 1948. The main purpose of the agreement was to increase trade between the world countries by removing trade barriers and quotas. The World Trade Organization (WTO) was established as a successor to the GATT (January 1, 1995). If the GATT was just a multilateral agreement between several countries, the WTO is an organization. The regulation field of the WTO is wider than that of the GATT, because if the GATT regulated only trade in goods, trade relations in the field of intellectual property and services within the WTO are also being regulated. These differences are the main differences of the WTO and GATT. The WTO is a successor to the GATT, and after GATT trade rules for world countries are being developed within this organization.

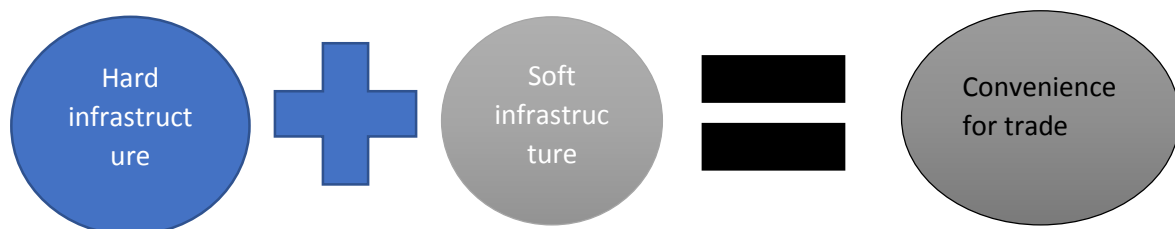
Today, almost all countries of the world are trading within this organization, and membership in this organization is one of the important factors of economic development. Map of WTO member states[3].



1-picture

The picture above shows the WTO member countries in green and the observer states in yellow, and only North Korea has not shown interest in joining the organization. As you can see from the map, our country is also shown in yellow, that is, it has observer status. We know that from ancient times our region was located in the center of the Great Silk Road, connecting the countries of East Asia and Europe. But in the last century, Central Asian countries began to disrupt from world trade, and this was especially true during the USSR. And well-known scholars have argued about this with their ideas, for

instance Richard Pomfret, a well-known Australian scholar, have argued that "today, geographically central Central Asia is economically marginalized. So if we ask ourselves why, our region is not close to the sea, that is, it has to cross at least one country to get to the nearest sea port. There are 40 such countries in the world. And let's face it - there are only two "double landlocked countries" in the world, and they have to cross at least two countries to get to sea. These are Uzbekistan and Liechtenstein which situated in Europe. Liechtenstein is an economically more developed country because of its possession of developed neighboring countries. For our country, this is a real problem for international trade. There are 2 seaports closest to us. The first is that we have to cross the border into Turkmenistan to reach Bandar Abbas (Iran). But this is more inconvenient for our country because Turkmenistan is a closed country and transaction fees are much higher. Second, we have to cross the Afghan border to reach the port of Karachi (Pakistan). Due to the civil war in Afghanistan, our access to this port is limited. This is an inconvenience in our natural location. That is, we are naturally in this region, and that does not change. This will increase our transportation costs and, in turn, reduce our sales. Rodrigue, an international economist, said that "if transport costs increase by 10%, sales will decrease by 20%." It depends on our natural location, but we don't use the factors that depend on us. For example, our protectionism policy has a negative impact not only on imports but also on exports. Let's take an example of a fruit. Both American and Uzbek farmers grow apples. In America, apples are grown in the same amount of quality, using modern equipment. They have cheap logistics by sea. American farmers can export their apples to Japan with lower custom duties, because both countries are WTO members. Apples are grown by Uzbek farmers mainly in the traditional way, and as a result vary in size. We use expensive air cargo or ground transportation for fruit export. Again, we are not a member of any common economic organization and we do not have a general agreement with Japan, so that we will enter this market with more expensive custom duties. Now the right question is how can our domestic producers compete with foreign producers in such conditions? I think it is appropriate to show the combination of hard infrastructure and soft infrastructure in Uzbekistan when it comes to opportunities for local producers to trade.



Hard infrastructure includes roads, express roads, ports and communications.

Soft infrastructure includes: transparency, customs, business convenience, and the institutional system. The two come together to make trading easier. The fact that we are not close to ports with hard infrastructure, and our natural location as a "double landlocked country" does not change that. But why we do not change soft infrastructure which depends on ourselves. I think the solution to many of our economic problems is to join the WTO as soon as possible.

Although we were the first Central Asian country to apply for membership, we still have observer status. Our three neighbors, Kyrgyzstan, Kazakhstan and Tajikistan, who applied later, have already joined the organization, and even Turkmenistan received observer status in 2020. Turkmenistan's observer status also adds to the benefits of joining the organization for our country. The reason is that we can get to the nearest port Bandar Abbas through Turkmenistan with a lower cost. We are interested in Turkmenistan's accession to the organization as soon as possible. Because if Turkmenistan is a member and our country is a member, it will be very positive for our international trade in the coming years. The fact that Turkmenistan joined the organization in 2020 as an observer is proof that our neighbors have taken a first step towards membership in the organization. For

developing our economy our country should be member of World Trade Organization immediately. So that our government should do this process faster.

Table 1

Central Asian countries and World Trade Organization[4].

	Applied for membership	Became member
Kazakhstan	January, 1996	November, 2015
Kyrgyzstan	February, 1996	December, 1998
Tajikistan	May, 2001	March, 2013
Turkmenistan	July, 2020	Observer
Uzbekistan	December, 1994	Negotiations

As you can see from the table above, 3 of our neighbors are members of the WTO and the fourth is an observer. This opens the door to great opportunities for international trade when we become a member of this organization. Because we can export our products to the world market with lower costs. Of course, just as there are two sides to every coin, there are negative effects of becoming membership to this organization. And these are followings:

- WTO membership leads to unemployment in agriculture (3 million 560 thousand people);
- leads to the deterioration of subsidized sectors such as machinery, agriculture;
- higher domestic prices than foreign prices;
- reluctance of some individuals among the political elite to open to foreign markets;
- damage to the state budget as a result of a sharp decline in tariffs and customs duties
- limitation of the rights and powers of government agencies in addressing issues related to the management of tariffs and duties;
- increase in the number of transnational companies in the country and their capture or increase in the influence of key sectors of the country's economy.

The above problems and obstacles must be seriously addressed by our government. Because if the necessary measures are not taken, our economy is likely to suffer severely from WTO membership. Followings are the positives:

- reduction of the state monopoly in the economy;
- increase of foreign direct investment in the economy;
- increase of foreign trade;
- development of tourism;
- decrease in high prices as a result of protectionist barriers;

- accelerate the development of institutional reforms in technical regulation, customs administration, service legislation, integration into the global process of scientific and technological development;
- WTO membership means the abolition of all privileges and procedures granted to individual enterprises. The private sector develops according to fair rules;
- efficient use of available resources, increasing competition in the country, reduction of corruption and legal entry of smuggled goods into the country.

The positive aspects of membership are outlined above. I can say with confidence that if we became a member of this organization by taking the right measures, many problems in our economy would be solved and the welfare of the population would increase.

**Conclusions and suggestions.** As a result of the research, the following conclusions were drawn:

- WTO is a large economic organization and its membership has many advantages for our country;
  - membership in this organization will accelerate the integration of our country into the world economy;
  - problems in our logistics system can be solved through membership in this organization.
- In order to increase the effectiveness and cost-effectiveness of membership in the organization, our government should take the following measures:
- focus on products that are competitive in the global market;
  - our country should take measures to mitigate the negative consequences of in-depth study of the pros and cons of membership in the organization;
  - it is necessary to use from these opportunities which have been created by WTO for LDS (least developed countries) ;
  - we must not repeat the mistakes made by foreign countries by studying their experience;
  - preaccount for the damage to the most affected sectors and take mitigation measures.

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