POSSIBLE WAYS TO REDUCE THE TRADE DEFICIT IN UZBEKISTAN

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Abstract: Uzbekistan is the Central Asian Republic that experienced the least amount of damage during the fall of the Soviet Union. The country has seen a prolonged period of consistent economic development since its GDP was brought back to pre-independence levels in 2002. Although mostly in urban areas, living circumstances have greatly improved in Uzbekistan, which is currently a medium-low-income country.

Uzbekistan has opted to establish an import substitution system under stringent state supervision, instead of liberalizing its economy and implementing the economic changes recommended by foreign financial institutions. While shielding the nation from outside shocks, this has also resulted in a very inefficient system where government intervention in the economy is the norm rather than the exception.

This article analyzes the situation based on past data in Uzbekistan in terms of trade deficit using comparative methods with other countries and suggests some potential ways to address this problem.

Keywords: Import, export, trade deficit, investment, FDI(Foreign direct investment), import base, export base, Russia.

Introduction:

Recently, Uzbekistan, a landlocked country in Central Asia, has been dealing with a continuous trade imbalance. A negative trade balance arises when a nation's imports surpass its exports, resulting in a trade deficit. Significant economic repercussions from this imbalance may include inflation, devaluation of the currency, and a preponderance of borrowing from outside sources. The trade deficit in Uzbekistan is driven by several factors, including its heavy reliance on imported goods, particularly machinery and equipment, to support its industrial and manufacturing sectors. Additionally, the country's export base has been relatively narrow, with a heavy dependence on a few key commodities such as cotton, gold, and natural gas. Fluctuations in global commodity prices and demand for these products have contributed to the trade deficit.

Research:

To begin the analysis, let's take a look at Uzbekistan's import and export data during the last five years and pay attention to changes that happened in a given period:

1st table. The information about the import and export and the difference between them in Uzbekistan from 2019 to 2023.

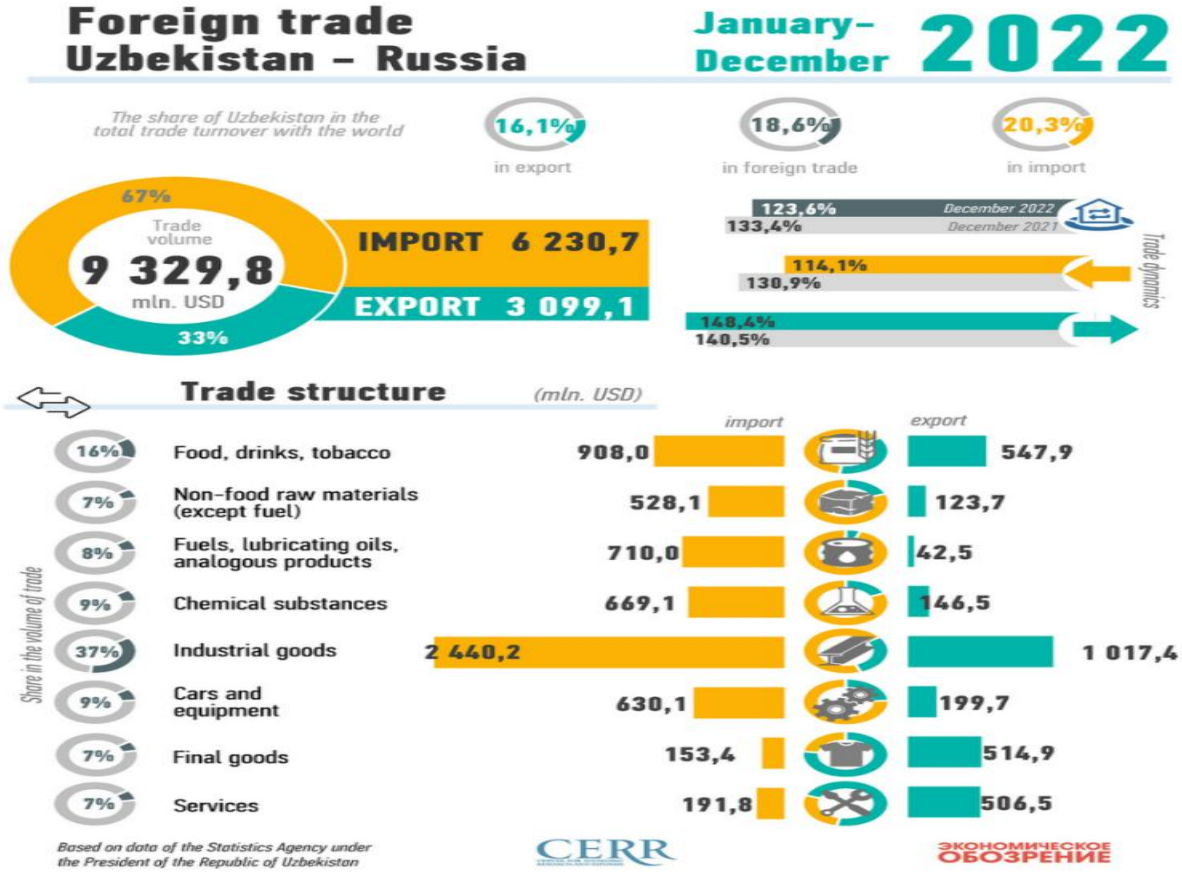
Year	Import in billions	Export in billions	The trade deficit in billions
2019	$14,54	$22,64	$8,10
2020	$16,44	$27,94	$11,49
2021	$21,93	$35,61	$13,68
2022	$27,71	$40,20	$12,49
2023	$33,94	$47,88	$13,94

It is obvious from the graph that both exports and imports have significantly increased in a half decade, also leading the trade deficit to rise gradually apart from 2022. Initially, imports in Uzbekistan were 22,64 billion USD, while exports stood at 14,54 billion USD and as a result, the trade deficit reached 8,10 US dollars. In the succeeding 4 years, imports and exports had an upward trend reaching 47,88 and $33,94 billion, respectively. Meanwhile, the trade deficit only rose in this period, except for 2022 when it decreased to 12,49 billion USD but then increased to 13,94 which is the maximum amount all of five years.

As long as we analyzed the number of imports and exports done by Uzbekistan, we mostly considered the amount of them in the last few years. Now let's take available data based on the import and export base of Uzbekistan with Russia in the period from January to December of 2022.

According to the graph, the overall trade amount was 9 329,8mln USD consisting of $6 230,7mln imports and $3 099,1mln exports performed by Uzbekistan with Russia. Bot import and export mostly comprised industrial goods having a 37% share of all trade amount. Meanwhile, final goods and services were the least preferred import and export elements both of which had a 7% share of all trade volume. Also, mostly food, drinks, and fuels were imported and cars and equipment, services were exported by Uzbekistan to the Russian Federation. By the way, the share of Uzbekistan in the total trade turnover with the world reached 16,1% in exports, 18,6% and more than 20% in imports matching the share of Uzbekistan.

2nd graph. Foreign trade between Uzbekistan and Russia from January to December of 2022



Discussion:

As illustrated above, in recent years the trade deficit has mostly increased which is considered a negative sign for the country. Although it is not an easy process to reduce immediately the trade deficit, there are some potential ways to enlarge the volume of exports compared to imports which ensures lessening the trade deficit.

There are several possible ways to reduce the trade deficit in Uzbekistan. One approach is to focus on increasing exports by promoting and supporting local industries, such as agriculture, textiles, and manufacturing. To do this, companies may need to offer incentives to export their goods, make infrastructure improvements to facilitate better logistics and transportation, and strengthen trade ties with foreign nations. Diversifying the variety of goods exported may also help to raise total export earnings and lessen dependency on a small number of important commodities.

Another strategy is to attract foreign direct investment (FDI) to Uzbekistan, which can help to modernize and expand domestic industries, increase production capacity, and improve the quality of goods and services. FDI can also facilitate technology transfer and skill development, which can enhance the competitiveness of Uzbekistan's exports in the global market.

Furthermore, entrepreneurship and economic growth can be stimulated by enhancing the business climate and lowering bureaucratic barriers. Improving transparency, cutting red tape, and simplifying customs processes can facilitate business travel abroad, leading to more export prospects and a smaller trade imbalance.

Conclusion:

Uzbekistan has seen an upward trend in recent years, and this is the problem which should be solved in the very first place. Reducing the trade deficit in Uzbekistan is a complex challenge that requires a multi-faceted approach. By focusing on increasing exports, attracting foreign investment, and improving the business environment, Uzbekistan can work towards achieving a more balanced trade position. The government needs to collaborate with private sector stakeholders, international organizations, and trading partners to implement effective policies and initiatives that support sustainable economic development and trade expansion. Ultimately, addressing the trade deficit can contribute to the overall economic stability and prosperity of Uzbekistan.

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