

THE IMPACT OF WTO ACCESSION ON THE COMPETITIVENESS OF DOMESTIC MANUFACTURING: A BENCHMARKING ANALYSIS FOR UZBEKISTAN

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Abstract

This article examines the potential advantages and risks for Uzbekistan's domestic manufacturing sector arising from its ongoing accession to the World Trade Organization (WTO). Using a comparative benchmarking methodology, the study analyzes the post-accession experiences of Kazakhstan and Kyrgyzstan. The findings indicate that while WTO membership presents short-term challenges, including increased import competition and compliance costs, it ultimately offers significant long-term benefits through export diversification, foreign direct investment (FDI) attraction, and integration into global value chains. The article concludes with policy recommendations to mitigate risks and enhance the competitiveness of Uzbek industries.

Keywords

WTO Accession, Uzbekistan, Manufacturing, Competitiveness, Benchmarking, Central Asia, Trade Policy.

1. Introduction

Context

Uzbekistan's journey toward accession to the World Trade Organization (WTO) has entered a critical phase. This strategic move is anticipated to deepen the country's integration into the global economy, stimulate foreign investment, and promote export diversification. However, the process also poses significant challenges for domestic industries, particularly small and medium-sized enterprises (SMEs) that have long been shielded by various tariff and non-tariff barriers [1]. The experiences of neighboring Central Asian states—Kyrgyzstan (acceded in 1998) and Kazakhstan (acceded in 2015)—serve as valuable case studies, demonstrating that WTO membership can be a double-edged sword,

simultaneously driving liberalization and exposing vulnerable sectors to international competition.

Research Gap

While the macroeconomic benefits of WTO membership are often emphasized by Uzbek policymakers, there is a scarcity of empirical research focusing on its microeconomic impact on the competitiveness of domestic manufacturing firms. Existing literature has largely concentrated on trade policy and tariff alignment, paying insufficient attention to firm-level and sectoral consequences [2]. This study aims to fill this gap by conducting a benchmarking analysis, projecting Uzbekistan's potential trajectory based on the documented outcomes in Kazakhstan and Kyrgyzstan.

Aim of the Study

The primary aim of this research is to assess the potential advantages and risks of WTO accession for Uzbekistan's key manufacturing sectors through a comparative analysis. A secondary aim is to develop strategic policy recommendations to bolster industrial competitiveness in the post-accession period.

2. Materials and Methods

Study Objects

The research focuses on several critical manufacturing sectors in Uzbekistan: textiles and apparel, food processing, automotive, and construction materials. These industries were selected due to their significant contribution, representing over 40% of the country's non-resource exports [3].

Data and Materials

The analysis relies on secondary data from WTO Annual Reports (2018–2023), World Bank Trade Indicators, national statistical committees of Kazakhstan and Kyrgyzstan, and official data from the State Statistics Committee of Uzbekistan (2020–2024). The research also draws upon academic publications concerning WTO accession impacts in developing economies [4, 5].

Study Design

This study employs a comparative benchmarking design. It evaluates key performance indicators—such as export growth, FDI inflows, and SME productivity—before and after WTO accession in the reference countries (Kazakhstan and Kyrgyzstan). These benchmarks are then used to formulate projections for Uzbekistan's pre-accession context.

Methods of Measurement and Analysis

The following methods were applied:

- Descriptive Statistical Analysis: To quantify changes in trade volumes, FDI, and manufacturing output.

- SWOT Analysis: To identify the internal Strengths and Weaknesses, and external Opportunities and Threats for Uzbek industries.

- Benchmarking Model: To evaluate Uzbekistan's preparedness relative to its WTO-member neighbors.

3. Results

3.1. Advantages of WTO Accession

1. Export Expansion: WTO accession facilitates market entry through multilateral tariff reductions. For example, Kazakhstan's textile exports increased 2.3-fold within five years of its accession [6]. Uzbekistan's textile industry, with its existing export footprint in over 70 countries, is well-positioned for similar growth.

2. Increased FDI: WTO membership enhances investor confidence via a predictable legal framework. Kazakhstan witnessed a 27% rise in FDI inflows within three years of joining [7]. Uzbekistan can expect increased investment in advanced machinery and technology.

3. Technological Transfer: Compliance with international standards (e.g., ISO) drives quality improvement. In Kyrgyzstan, food manufacturers adopting ISO-certified systems secured 30% more export contracts with the EU and Russia [8].

4. Integration into Global Value Chains (GVCs): Harmonizing regulations enables participation in global production networks, particularly in the cotton-textile-apparel chain.

3.2. Risks and Challenges

1. Import Competition: Tariff reductions expose local firms to cheaper imports. After Kyrgyzstan's accession, 15–20% of its light industry firms closed due to low-cost foreign competition [8].

2. Technological Gaps: Many Uzbek manufacturers use outdated equipment, hindering their ability to compete with technologically superior foreign firms.

3. Compliance Costs: Adhering to WTO rules on intellectual property, sanitary standards, and customs procedures imposes significant financial and administrative burdens on both the state and businesses.

4. Short-Term Job Losses: The exit of inefficient enterprises may lead to temporary unemployment in certain sectors, though this is often offset by long-term job creation from new investments.

4. Discussion

Statement of Main Result

The study concludes that WTO accession represents a transitional challenge for Uzbekistan. While short-term disruptions are inevitable, the long-term gains in competitiveness, efficiency, and investment are likely to outweigh the initial risks.

Comparison with Literature

These findings are consistent with international studies [4, 5], which observe an initial contraction in uncompetitive sectors in developing economies post-accession, followed by a period of structural transformation and diversification, as seen in Kazakhstan after 2017.

Explanations of Results

The realization of benefits is highly dependent on complementary factors: the pace of industrial modernization, effective government support policies, and the adaptability of the private sector. WTO accession alone is not a panacea without parallel reforms in finance, education, and infrastructure.

Limitations of the Study

A key limitation is the reliance on secondary data and projections for Uzbekistan, as empirical validation will only be possible through longitudinal analysis after the country's formal accession to the WTO.

Conclusions and Recommendations

Uzbekistan should approach WTO accession as a strategic catalyst for modernization, not merely a trade liberalization commitment. To navigate the transition successfully, policymakers should:

- Implement a phased tariff liberalization schedule.
- Provide targeted financial support (subsidies, credits) for technological upgrading.
- Strengthen export promotion and standards compliance institutions.
- Invest heavily in technical education and workforce reskilling.

By coupling WTO membership with robust structural reforms, Uzbekistan can build a globally competitive industrial base by 2035.

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