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UZBEKISTAN AND THE WORLD TRADE ORGANIZATION

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ABSTRACT

Uzbekistan is actively pushing to achieve WTO membership after what will have been the longest accession negotiations ever. Uzbekistan application to join the WTO dates from December 1994 but became dormant in the 2000s while still at a fairly early stage. After President Karimov died in August 2016, the process was reactivated by his successor, President Shavkat Mirziyoyev. The lengthy break was related to Karimov's inward-looking and interventionist economic development strategy and the revival after 2016 is associated with Mirziyoyev's more outward-oriented strategy. This paper analyzes the evolution of Uzbekistan's application and the evolution of the WTO over this period. It concludes with examination of the current state of the application, potential obstacles to completing the negotiations, and the benefits and costs of accession to the WTO. The answer to the question of whether Uzbekistan will, or should, join the WTO depends on the commitment to economic reform. If the government is serious about replacing dependence on resource exports and protected manufacturing activities by a more diversified competitive economy, then Uzbekistan will achieve and benefit from WTO membership. If the economy remains resistant to fundamental reform, then accession will be difficult and of little value if it happens.

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UZBEKISTAN AND THE WORLD TRADE ORGANIZATION

After independence in 1991, Uzbekistan quickly moved to participation in the global economy and multilateral trade. Although trade within the former-USSR remained important, major exports such as cotton and gold were sold on world markets and many imports were sourced from new suppliers. Uzbekistan applied to join the World Trade Organization (WTO) in December 1994 but negotiations lapsed after a few years. This was not uncommon among Central Asian countries, apart from Kyrgyzstan, which was the only Central Asian country to join the WTO in the two decades after the dissolution of the Soviet Union.

Table 1: Status of WTO Accession Negotiations

	Applied	Member
Kazakhstan	January 1996	November 2015
Kyrgyz Republic	February 1996	December 1998
Tajikistan	May 2001	March 2013
Turkmenistan	Not applied*	
Uzbekistan	December 1994	
China	July 1986	December 2001
Russian Federation	June 1993	August 2012

Source: www.wto.org

Notes: On 10 July 1986, the People's Republic of China formally submitted its request to resume China's status as a contracting party to the GATT.

* Turkmenistan's application for observer status is expected to be considered by WTO Members at the next regular meeting of the General Council, scheduled for 22 and 23 July. It is the last of the fifteen former Soviet republics to seek a formal relationship with the WTO,

The historical background played a role in the evolution of attitudes towards WTO membership. The Kyrgyz Republic's WTO experience became a disputed element in trade policy debates elsewhere in Central Asia and in Azerbaijan. Opponents of WTO membership cited the Kyrgyz Republic's poor economic performance after 1998 as evidence of a harmful effect of WTO membership (e.g. Trend, 2003, 55-60), but there are many other explanations for the country's disappointing economic performance around the turn of the century: the 1998 Russian Crisis, Kazakhstan's large currency devaluation, and the Kyrgyz Republic's banking and external debt crises were major negative shocks which coincided with WTO accession. The weakened Kyrgyz economy failed to reap much

in the way of immediate benefits from WTO membership, although it is hard to demonstrate that the Kyrgyz Republic suffered harm from accession. Meanwhile, Uzbekistan, like its neighbours Kazakhstan and Turkmenistan, was benefitting from the resource boom that lasted from the end of the 1990s until 2014 and WTO membership was of little relevance to market access for gas or gold exports.

The benefits from WTO membership are long term rather than immediate. WTO accession signals a commitment to abide by accepted world trade law. The basic WTO principles (non-discrimination, transparency, and so forth) are good rules for any country, and the WTO's dispute settlement mechanism offers small countries some protection against abuse of these principles by large countries. With a positive domestic environment, WTO membership helps to ensure that a country can reap benefits from specialization and trade with diminished fear of protectionist responses in foreign markets.¹ WTO accession also signals a commitment to good policies and good governance that helps traders and makes foreign direct investment, as well as domestic investment, more attractive.²

1. Uzbekistan's Long and Winding Road to the WTO

The status of Uzbekistan's WTO accession process has been strongly influenced by domestic economic and political developments. Uzbekistan's application, the first in Central Asia, was lodged in December 1994. After the shocks of the dissolution of the USSR in December 1991, disruption of demand and supply chains, hyperinflation, the collapse of the ruble zone in 1992-3 and issue of sum coupons, Uzbekistan followed creation of the national currency, the sum, by a conventional macroeconomic package in the second half of 1994. In 1995 Uzbekistan appeared as the reform leader in Central Asia as Kazakhstan's initial steps of democratic voucher privatization began to be overshadowed by corrupt dealings. Everything changed in October 1996 when the Uzbek

¹ WTO membership would also grant some leverage to reduce existing illiberal policies in export markets, e.g. as a WTO member Uzbekistan could have joined Brazil and West African countries lobbying for reduced subsidies to cotton producers in the USA and EU.

² In a study of twenty-five transition economies during the period 1990-8, Campos (2004) found no robust relationship between WTO membership and the rate of economic growth, although he did find a positive effect of WTO membership on domestic reform; see also, Bachetta and Drabek (2002). The commitment to reform together with China's WTO accession provided an institutional foundation for the Kyrgyz Republic's emergence as the entrepôt for Central Asia (Kaminski and Mitra, 2012).

government reacted to declining receipts from cotton exports by imposing draconian foreign exchange controls and the WTO accession negotiations slowed down.

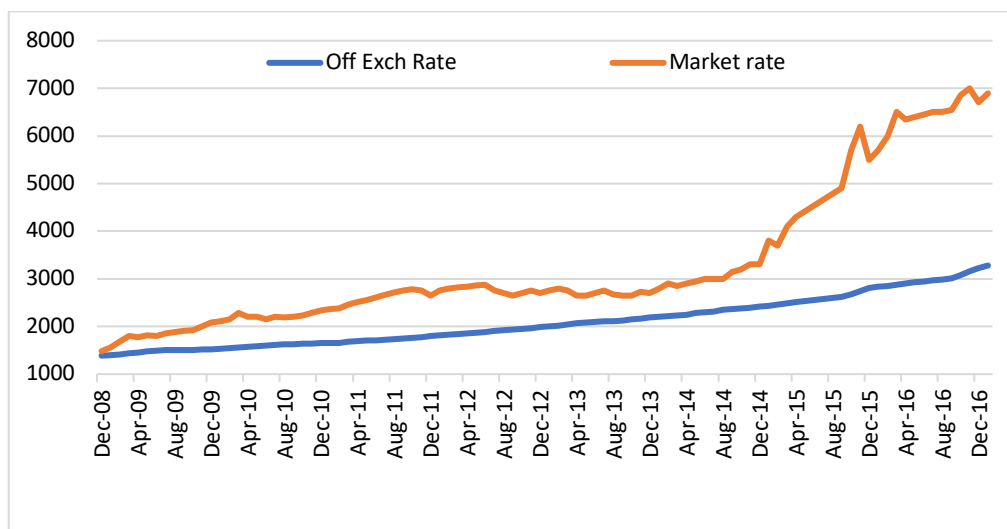
In the early 2000s the government discussed easing of the forex controls, although it never seemed willing to take decisive steps towards making the Uzbek currency freely convertible. From 2000 the government reduced the black-market premium, first by devaluation of the official exchange rate from 149 sum per US dollar in April 2000 to 693 sum per dollar in December 2000 and then helped by increasing export revenues during the resource boom. In 2003, the government's announcement of the end of forex controls was followed by a number of workshops and other projects to analyze the impact of WTO accession (Normatov, 2018). The OECD organized a project on Economic and Trade Impact of WTO Accession to which I contributed a paper on Central Asia at a January 2004 workshop (Pomfret, 2004). Vernon Roning and Dean DeRosa (2004) and Valentina Baturina et al. (2004) wrote papers funded by the US Agency for International Development for the Government of Uzbekistan. Foreign recommendations were overwhelmingly to include WTO accession in a program of economic reform. Several unpublished reports by Uzbek economists that focused on which sectors would gain and lose from WTO accession were more cautious about opening up the economy.³

After the May 2005 Andijon events, foreign funding dried up and relations between Uzbekistan and international financial institutions became frosty.⁴ Although the government subsequently, but briefly, returned to the question of liberalizing access to foreign exchange, the black-market premium widened after 2008 to around 50% by 2012. After the resource boom ended in 2014, the premium exploded (Figure 1). In sum, despite statements of intent to remove foreign exchange controls and implementation of some cosmetic measures, forex liberalization did not happen during the presidency of Islam Karimov.⁵ Restricted access to foreign currencies with which to pay for imports was a fundamental obstacle to WTO accession.

³ If WTO accession is seen primarily in terms of reducing tariffs and other protection from imports, then there will be winners and losers and an agnostic assessment of net benefits is more likely – especially if some of the protected activities are considered inherently desirable.

⁴ Tensions had already emerged at the 2003 annual meeting of the European Bank for Reconstructing and Development (EBRD) in Tashkent, where President Karimov refused to bow to external political pressure to renounce the use of torture.

⁵ Nevertheless, similar to the 2003-5 period, there were perceptions of liberalization again around 2010, although discussion of WTO accession was muted.

Figure 1: Exchange rate, sum/USD December 2008 – December 2016

Source: Ben Slay, private correspondence (Pomfret, 2019, 113), based on Central Bank of Uzbekistan data and UNDP calculations.

The death of President Karimov in August 2016 and Shavkat Mirziyoyev's victory in the December 2016 presidential election raised hopes of substantial economic reform. Most importantly, in September 2017, Mirziyoyev reformed the forex system, making the sum fairly freely convertible and eliminating the most important obstacle to trading under WTO rules. The official value of the sum fell by half, closing the black market premium, although residual foreign exchange controls were not eliminated until August 2019 when the exchange rate fell below 9,300 sum/USD. After years when nothing more than the briefest information documents appeared on the WTO website, reports of serious negotiations began to reappear after April 2019.⁶

2. Meanwhile in Geneva

The WTO succeeded the General Agreement on Trade and Tariffs (GATT) on 1 January 1995, coinciding with Uzbekistan's application for membership. The General Agreement was a short document signed by 23 countries in 1947 to accompany the winding down of the high levels of tariff protection that had been imposed in the 1930s. Its focus was on transparency, non-discrimination, establishing that tariffs should be the main instrument

⁶ Between 2007 and 2016 the only documents related to Uzbekistan's accession negotiations were formal notifications of changes in membership of the working party. No documents were posted from January 2016 to April 2019. Between April 2019 and May 2020 eighteen documents were posted (https://www.wto.org/english/thewto_e/acc_e/a1_ouzbekistan_e.htm), including hundreds of pages of updates on Uzbekistan's foreign trade policies and answers to questions from working party members.

of trade policy (not to be substituted by less transparent measures with similar effect) and limiting countries' ability to increase tariffs after their upper value had been bound. GATT contracting parties could reduce their own tariffs with less fear that trading partners would take advantage by increasing their tariffs.⁷ The GATT had a small secretariat in Geneva to keep records and organize meetings.

The most visible GATT activities were a series of rounds of multilateral trade negotiations. The early rounds consisted of bilateral negotiations between principal suppliers of goods to reduce tariffs; the non-discrimination principle meant that any tariff reductions would apply to imports from all GATT contracting parties. Starting with the 1964-7 Kennedy Round, multilateral negotiations led to more general tariff reductions and in the 1973-9 Tokyo Round this strategy was applied to non-tariff barriers. Finally, the 1986-94 Uruguay Round ended special treatment for some previously excluded sectors (agriculture, and textiles and clothing), continued the regulation of non-tariff barriers to trade, and introduced a General Agreement on Trade in Services.

In contrast to the short agreement signed in 1947, the Final Act of the Uruguay Round signed in Marrakesh in 1994 was 550 pages long, reflecting accumulation of an extensive body of world trade law.⁸ The GATT secretariat was replaced by the World Trade Organization which began operations on 1 January 1995. A dispute settlement mechanism was introduced to give teeth to world trade law. The WTO has no soldiers or policemen but, in early cases brought by Venezuela against the USA and by Ecuador against the EU, the large trade partner accepted the ruling against them and changed the practice that had been challenged. The point was that all countries, large or small, accepted the validity of WTO law and the desirability of upholding it.

The GATT was a success story. Initially seen as a temporary arrangement, following lack of agreement on the mandate of an International Trade Organization, the

⁷ The classic exposition of the economics behind this arrangement is by Bagwell and Staiger (2003); see also Pomfret (2001, 71-80). Bagwell and Staiger (2009) argue that the goal of avoiding beggar-thy-neighbour tariff increases was a more important reason for abiding by the system than the alternative argument that governments used the GATT to tie their own hands against domestic groups demanding protection from imports. Irwin et al. (2008) argue that foreign policy considerations were a third reason for the GATT, but their evidence for this third reason - that US Secretary of State Cordell Hull saw promotion of international trade as the best guarantee of world peace - became less relevant over time.

⁸ The Agreement Establishing the WTO includes the "Final Act" and other attachments (the agreements on goods, services and intellectual property, dispute settlement, trade policy review mechanism and the plurilateral agreements) as well as the schedules of members' commitments.

small secretariat, decision-making by consensus and slow but steady progress on trade liberalization led to accumulation of a strong, acceptable framework for international trade. Twenty-three countries signed the GATT in 1947; 123 countries negotiated the Uruguay Round. However, the structure was anachronistic by 1995 and the decision to launch a new round of multilateral trade negotiations was mistaken.⁹

Although descended from the GATT, the WTO has a different emphasis. A body of trade law was established between 1947 and 1994 and consolidated in the Final Act of the Uruguay Round. WTO membership involves commitment to these agreed laws on international trade, based on transparency and non-discrimination. Tariff schedules (and major NTBs) are lodged by each member at the WTO Secretariat and can only be increased under specific conditions. The most important of these conditions are remedies for unfair practices: antidumping duties (AD) to counter predatory pricing and countervailing duties (CVDs) to offset subsidies received by exporters. Additionally, members agree to abide by Codes on technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS); regulations in these areas are permitted but should be designed to minimize negative impacts on trade and be scientifically justified (e.g. in quarantining or banning agricultural imports).¹⁰

The distinction between the WTO and the GATT is important even though it is often obscured by media coverage which highlights the repeated failures of Doha Round negotiations rather than the ongoing successful operation of trade flows or the details of cases addressed by the dispute resolution mechanism. The contrast between the GATT and WTO eras also reflects the changing trade landscape as tariffs became less important and subsidies, taxation and discriminatory regulations took over as the main sources of frictions between trading nations. Such issues are less amenable to multilateral trade negotiations than tariff reduction or identification of major non-tariff barriers. They are better suited to judicial processes based on the trade law of the WTO Charter, although

⁹ The round was a mistake because the WTO operates by consensus. In the GATT era, the round would be guided by a few leading members (in the Uruguay Round the lead group was the Quad: the USA, EU, Japan and Canada) and the remaining members would acquiesce. In the twenty-first century, several large economies, notably the BRICs (Brazil, Russia, India and China), would be more assertive and consensus would be hard to reach, especially in new areas such as the Singapore issues where common ground is intrinsically more difficult to find.

¹⁰ This summary skates over grey areas e.g. use of a national security argument for protection or government aid to state-owned enterprises may be non-transparent.

the problem remains of how to revise the laws when they prove unsatisfactory or when new trade-related areas require governance.

3. The WTO and Formerly Centrally Planned Economies

The GATT/WTO framework was designed for members with market-based economies. Issues such as public procurement, subsidies, state-owned enterprise, and anti-trust (competition) policy that clearly affected international trade flows were initially assumed to be of secondary importance. Remedies such as anti-dumping actions or countervailing duties assumed knowledge of market-determined prices that would indicate whether exports were under-priced or subsidized. Some Eastern European countries with non-market-determined prices had joined GATT but the major challenge was the application by China in 1986.¹¹ Although China's application was frozen after the June 1989 Tiananmen incident, negotiations were concluded in 2001.

Among the Soviet successor states, the pattern was of smaller economies joining the WTO fairly quickly (Kyrgyzstan in 1998, Latvia and Estonia in 1999, Georgia in 2000, Lithuania and Moldova in 2001, Armenia in 2003). This is consistent with the standard trade theory conclusion that for a small open economy the optimal tariff is zero; the smaller countries were not giving up much when they agreed to bind their tariffs at low levels and forego use of non-tariff barriers to trade. The larger economies, including Uzbekistan, could perhaps see an option value in a wait-and-see approach.

Moreover, the larger economies were more attracted to industrial policies based on import substitution, which appeared more practical with a larger domestic market and more likely to be constrained by WTO trade law. In practice, across the world, import-substituting industrialization (ISI) has proven to be a poor development strategy that is inferior to specialization and trading. An ISI strategy leads to resource misallocation (in labour-abundant countries it encourages capital-intensive activities, i.e. output grows faster than employment and owners of capital benefit more than workers),

¹¹ Czechoslovakia was an original GATT contracting party in 1947, but after adoption of central planning its position became anomalous; in 1993, the Czech Republic and Slovakia became members as independent countries. Yugoslavia joined GATT in 1966 (Slovenia in 1994 was the only successor state to join independently), Poland in 1967, Romania in 1971 and Hungary in 1973. The accession agreements were ad hoc (e.g. Poland and Romania made target commitments for the growth of imports, Hungary made tariff reductions and Yugoslavia was accepted as a market-based economy), which was not compatible with universal trade law.

discriminating against exporters and against agriculture; in the longer term, ISI fosters corruption and, as domestic market size constraints kick in, becomes increasingly costly.¹² With more outward-oriented policies, demand is constrained only by the size of the global market and WTO membership helps to ensure that all countries' markets remain open.

Among the larger CIS economies, the benefits of the WTO for countries seeking to diversify by exporting were obscured for resource exporters who were riding a boom in the first decade of the twenty-first century (e.g. Russia, Kazakhstan, Azerbaijan, Turkmenistan and, to a lesser extent, Uzbekistan). The WTO is not relevant for trade in oil and gas or most minerals, in which few if any importing countries want to restrict trade. After a break of almost a decade after 2003, WTO accessions resumed; Russia joined the WTO in 2012, followed by Tajikistan in 2013 and Kazakhstan in 2015, leaving Uzbekistan, Belarus, Azerbaijan and Turkmenistan as the remaining non-members among Soviet successor states.¹³

Two areas of WTO law that have been especially contentious in relation to formerly centrally planned economies concern trade remedies. Anti-dumping duties can be applied to imports if they are being sold below their cost of production. If the exporter is classified as a non-market economy then the AD duties can be based on constructed values of the cost of production rather than on actual prices, which gives the importing country discretion in calculating the appropriate tariff to offset the "dumping".¹⁴ This has

¹² The costs of import substitution were documented in a series of case studies published in the 1970s and the benefits of outward-oriented policies were illustrated by a group of newly industrialized economies (a term invented by the OECD in 1975). The trigger for countries to abandon ISI and follow the NIEs varied. The increase in oil prices after 1973 was a catalyst for reform in many countries that could produce neither oil nor the exports needed to pay for imported oil; those who borrowed to pay for imports such as Brazil or Argentina ended up in a debt crisis in 1982. By the 1990s ISI was in disrepute in almost all low- and middle-income market economies, but the lessons had not been learned in countries in transition from Soviet central planning.

¹³ Belarus suspended accession negotiations in 2005 and reactivated them in 2012. After the 2010 customs union with Kazakhstan and Russia and establishment of the Eurasian Economic Community in 2015, Belarus no longer has significant trade policy autonomy. However, unlike Russia or Kazakhstan, Belarus does not have a WTO member's rights with respect to trade with third countries. Azerbaijan applied in 1997 and the Working Party has met fourteen times, most recently in July 2017. Unlike in Belarus and Uzbekistan, Azerbaijan's negotiations have not lapsed for a long period, but the progress of reforms towards WTO-compatibility has been slow.

¹⁴ An AD case brought by the USA in 1975 against imports of Polish golf carts found, using Canadian prices, that the Polish carts were sold below cost. After the last Canadian golf cart producer went bankrupt, new calculations based on Spanish prices found that the Polish carts

been especially irksome to China and AD duties have been particularly common on steel products, a long-standing area of trade disputes preceding China's accession to the WTO.

The second set of remedies are countervailing duties to offset subsidies given to the exporter. The WTO Agreement on Subsidies and Countervailing Measures (ASCM) defines subsidies as a "financial contribution by a government or any public body within the territory of a Member" which gives an unfair advantage to a specific industry, firm or individual and defines five categories of industrial subsidies: cash payments, tax concessions, loan guarantees and other assumptions of risk, public procurement policies at non-market prices, and stock purchases to boost a company's share price. The ASCM provides detailed standards to conduct countervailing duty actions; and provides a workable multilateral discipline governing prohibited and actionable subsidies (Sykes 2005). However, these guidelines are more difficult to follow for an economy in which many enterprises are state owned and when the government is committed to industrial policies directed at encouraging preferred activities.

To some extent concerns about both anti-dumping and countervailing duties involve transparency. The unwillingness of major trading nations (especially the USA, European Union and Japan) to end China's non-market status reflects distrust of prices in China. The same countries' suspicion of the trade practices of state-owned enterprises in China centres on lack of clarity about government involvement in those enterprises.

4. Is the WTO Still Relevant?

The street demonstration in Seattle in 1999 reflected a backlash against globalization and the role of the WTO. Over the next fifteen years there were frequent signs of the presence of anti-globalist forces, including in high-income countries where populist parties gained a minor but increasing share of votes in elections.¹⁵ The most significant by far was Donald Trump's victory in the 2016 US presidential election.

A serious challenge to the WTO's functioning has been associated with the membership of, especially, China and to a lesser degree Russia and other formerly centrally planned economies that still have strong interventionist proclivities. The

were not sold below "cost". Although this and many other examples demonstrated the arbitrariness of constructed prices, the practice remains.

¹⁵ In France, the nationalist Jean-Marie Le Pen came second in the 2002 presidential elections, albeit with only 17% of the vote. Similar parties gained parliamentary seats in other EU countries.

challenge has centred on how to deal with subsidies and state-owned enterprises (Wang et al., 2020).¹⁶ Although the concerns predated the 2016 US presidential election, President Trump sharpened US criticisms of China and castigated the WTO for failing to address the issues raised by Chinese trade practices. The USA and others have also raised concerns about weak intellectual property rights in China, accusing China of intellectual property theft. In 2018-19, criticism turned to concrete action as the USA vetoed replacement of members of the WTO appellate body, so that by the end of 2019 the body was inquorate and the dispute settlement process nullified.¹⁷

Nevertheless, apart from the USA, there is almost universal commitment to the WTO. Other WTO members emphasize the desirability of trading according to WTO rules and settling trade disputes within the WTO framework (Levy and Bown, 2020). If the dispute settlement mechanism set out in the WTO Charter is inoperative due to lack of an appellate body, then alternative mechanisms must be found. Of course, world trade law is best if agreed to and observed by all countries and it will be weakened by the absence of the world's largest economy, but it will still be a valuable public good if observed by 163 countries that include all major trading nations except one. If the WTO charter is poorly designed, for example in addressing trade involving state-owned enterprises, then amendment should be tackled at WTO ministerial meetings.

There is, however, a difficulty in reforming the WTO rules that can only be changed by consensus. At the 1996 ministerial meeting in Singapore, WTO members identified four issues (trade facilitation, transparency in government procurement, trade and investment, and trade and competition) that had been omitted from the Final Act. The 1999 ministerial meeting in Seattle intended to initiate a new Millennium Round of negotiations but abandoned the exercise in the face of fierce resistance on the streets. In

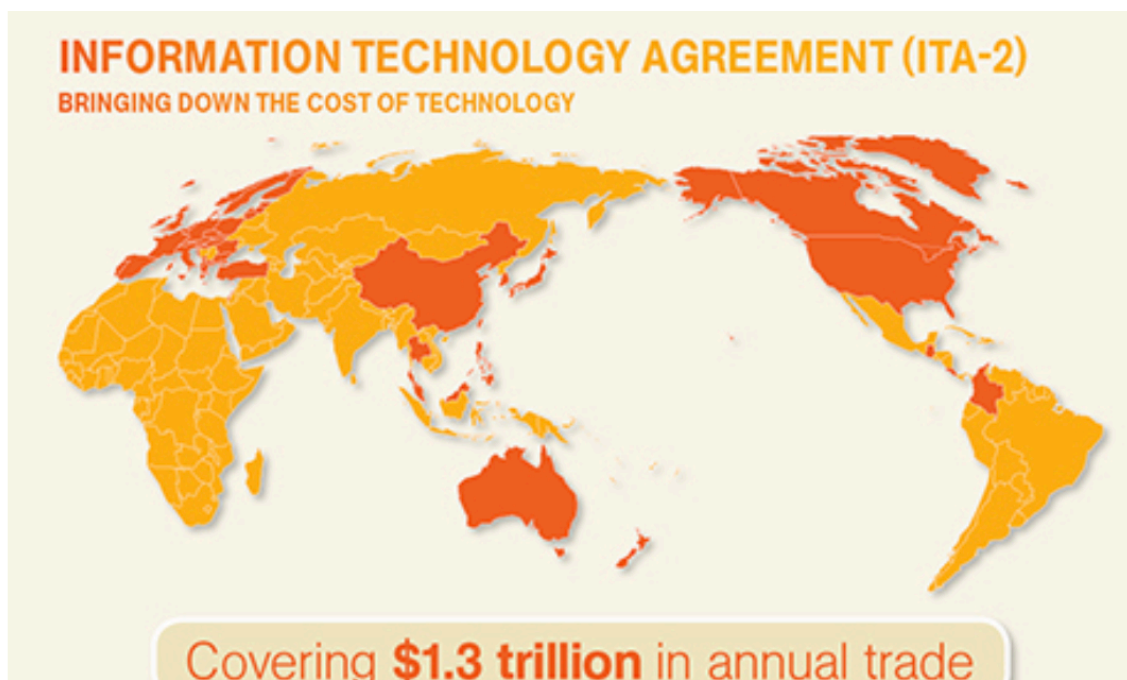
¹⁶ Both the USA and EU have treated Chinese SOEs as a strategic threat. Regulatory changes in the USA included passage of the 2018 Foreign Investment Risk Review Modernization Act and tightening of regulations pertaining to SOE investments under the auspices of the Committee on Foreign Investment Into the US. In April 2019, EU Regulation 2019/452 established a framework for screening foreign direct investments into the EU; a factor to be considered during screening is “whether the foreign investor is directly or indirectly controlled by the government, including state bodies or armed forces, of a third country, including through ownership structure or significant funding” [Article 4.2(a)].

¹⁷ President Trump showed scarcely veiled contempt for WTO trade law when he justified tariff increases on steel and aluminium by reference to national security. His complaint that the appellate body was biased against the USA also seemed scarcely credible, given the frequent resort of the USA to the WTO's dispute settlement mechanism and its fairly high success rates in those cases.

2001, at the WTO ministers' next meeting in Doha, a new round of multilateral trade negotiations was launched. The Doha Round was intended to continue past practice of reducing trade barriers, as well as fixing issues related to current WTO agreements and bringing the Singapore issues into world trade law. Two decades later there has been minimal progress, with the only achievement a rather weak Trade Facilitation Act.

In addition to the Singapore issues, there is general agreement that the General Agreement on Trade in Services (GATS) needs improvement and that new issues such as digital trade and e-commerce, that scarcely existed in 1995, should be brought into world trade law but no consensus on specific rules. In the absence of consensus, one approach is to adopt plurilateral agreements, which WTO members can choose to sign but are not binding on WTO members that do not sign them. Four plurilateral agreements were negotiated in the Tokyo Round: trade in civil aircraft, government procurement, dairy products and bovine meat (the last two agreements were terminated in 1997).

Figure 2: Country Coverage of ITA-2



Source: Australian Government Department of Foreign Affairs and Trade at <https://www.dfat.gov.au/trade/organisations/wto/Pages/information-technology-agreement>

The most successful plurilateral has been the Information Technology Agreement (ITA), initially concluded by 29 WTO members in 1996. The number of participants has since grown to 82, representing about 97 per cent of world trade in IT products. The

participants are committed to completely eliminating tariffs on IT products covered by the Agreement. At the Nairobi Ministerial Conference in December 2015, over fifty members concluded the expansion of the Agreement; ITA-2 now covers an additional 201 products valued at over \$1.3 trillion per year. The countries involved (Figure 2) include the high- and middle-income countries most involved in electronics global value chains (GVCs). They are willing to remove tariffs, and extend MFN treatment to non-signatories, because they want to signal to GVC lead firms that imported components will not be subject to tariffs in any of the signatory countries. The ITA has been viewed as a special case insofar as it applies to the industry with the most developed GVCs for which free movement across borders is essential if a country wants its producers to be able to participate in the GVCs.

Interest in the plurilateral approach has increased since 2018 when, in the absence of consensus on the topic, a subset of WTO members, commenced working a plurilateral agreement on e-commerce. Currently, 85 WTO members, including most of the largest trading nations, are involved in the negotiations. The proposal should have been discussed at the June 2020 ministerial meeting in Kazakhstan, but the meeting was postponed due to the COVID-19 pandemic. Opponents of plurilateral agreements express concern about undermining the universality of WTO trade law.

Alternatively, agreements among like-minded countries may be negotiated outside the WTO. Before the 1980s, regional trading arrangements largely involved preferential tariffs as countries formed free trade areas or customs unions and regionalism was seen as a challenge to the nondiscrimination principle of equal treatment of all GATT contracting parties (Pomfret, 2001).¹⁸ Starting in the 1980s, arrangements such as Closer Economic Relations between Australia and New Zealand (1983), the EU Single Market (1986), the Canada-US Free Trade Area (1988) and the North American Free Trade Area (1994) were described as deep integrations schemes because they went beyond tariffs. Since 1995, most trade agreements have gone beyond WTO rules.

The most extensive trade agreements, often referred to as mega-regionals, extend beyond a narrowly defined region and cover topics beyond WTO trade law. The TransPacific Partnership, often seen as the blueprint for “high-quality” trade agreements,

¹⁸ Article I of the GATT requires unconditional MFN treatment of all signatories.

was negotiated between 2008 and 2016 by twelve countries. After the USA withdrew in January 2017, the remaining eleven countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam) concluded the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which became effective in December 2018. A slightly less comprehensive agreement, the Regional Comprehensive Economic Partnership (RCEP) was negotiated by the ASEAN+6 countries and concluded by fifteen countries in November 2019, after India withdrew.¹⁹ Arrangements like the CPTPP and RCEP are not primarily about preferential tariff treatment – reflected in the presence in both of countries like Australia, New Zealand and Singapore that have low tariffs – but cover WTO+ areas such as the Singapore issues and new topics such as e-commerce.²⁰

With all the caveats about difficulty of law-making by consensus and enforcing laws without a police force, the WTO has proven popular in that almost all countries accept that it is better to be inside the organization than not. Since 2016, the WTO has 164 members and 24 observers, who are at various stages of negotiating accession.²¹ The almost universal membership is important for establishing trade rules that are accepted across the globe. Members agree to observe a core set of rules and practices, while acceptance of WTO+ rules is optional and can be done either in a WTO plurilateral or in a deep trade agreement.

5. Uzbekistan's WTO Accession

The WTO aspires to universal membership: “Any state or customs territory having full autonomy in the conduct of its trade policies may join (“accede to”) the WTO, but existing WTO members must agree on the terms” of accession. The process can be long: for Seychelles the accession process lasted 19 years and eleven months, for Russia 19 years and 2 months, for Vanuatu, 17 years and 1 month, and for China 15 years and 5 months.

¹⁹ The fifteen RCEP countries are Australia, Brunei, Cambodia, China, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand and Vietnam.

²⁰ It is difficult to quantify the impact of trade agreements in the new areas. Petri and Plummer (2016) forecasted large economic benefits from the TPP, although as with any trade policy changes there will be job “churning” and winners and losers.

²¹ The only UN member countries with no relation to the WTO are North Korea, Eritrea and several microstates (mainly Pacific islands).

Uzbekistan's will be longer than any of these.²² After a country applies for membership, the accession process involves four steps, primarily intended to ensure compatibility between the applicant's pre-existing policies and WTO membership.²³

In the first step, the government applying for membership submits a factual description of all aspects of its trade and economic policies that have a bearing on WTO agreements.²⁴ This is examined by a working party whose chair is appointed by the WTO (in Uzbekistan's case the Chair is from the Republic of Korea, currently Ambassador Ji-ah Paik) and on which membership is open to all WTO members expressing an interest. Questions about the factual statement can be extensive, e.g. in Tajikistan's case they numbered over 1300 (Jekic, 2019).

When the working party has made sufficient progress on principles and policies, parallel bilateral talks begin between the prospective new member and individual countries. They are bilateral because different countries have different trading interests. These talks cover tariff rates and specific market access commitments, and other policies in goods and services. However, the new member's eventual commitments will apply equally to all WTO members under the non-discrimination (unconditional most-favoured nation) principle.

In March 2020 Uzbekistan circulated responses to working party members' questions about its Memorandum on the Foreign Trade Regime (MFTR). The Chair of the Working Party will hold consultations with members of the Working Party on the next steps, including scheduling a fourth meeting of the Working Party (the first since 2005). Once agreement has been reached on the Factual Summary of Uzbekistan's foreign trade regime and the parallel bilateral market access negotiations are complete, work will begin on drafting the Working Party Report which will be the basis for accession. The final package, consisting of the Report, a draft membership treaty

²² Three other outstanding applications were lodged before that of Uzbekistan: Algeria in June 1987, Belarus in September 1993 and Sudan in October 1994.

²³ The four-step process is described on the WTO website http://www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm.

²⁴ After Uzbekistan's December 1994 application, a memorandum of Uzbekistan's foreign trade regime was presented in September 1998 and written answers to questions from WTO members were prepared. On 17 July 2002, the first Working Group meeting on Uzbekistan accession to WTO was held in Geneva, where the main issue was article-by-article study of the memorandum on Uzbekistan's foreign trade regime. After negotiations were broken off in 2005, the process languished and when it was reactivated a new memorandum was submitted in July 2019.

("protocol of accession") and lists ("schedules") of the applicant's commitments, is presented to the WTO General Council or the Ministerial Conference. If WTO members vote in favour, the applicant is free to sign the protocol and to accede to the organization. In many cases, the country's own parliament or legislature has to ratify the agreement before membership is complete. After that, these commitments become part of the legal package of WTO documents and national legislation, and the country acquires the status of a member of the WTO.

The starting point for negotiations is that the applicant must accept the pre-existing WTO multilateral agreements. The WTO Charter is centred on the GATT as modified up to 1994 and the General Agreement on Services (GATS). The Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and Agreement on Technical Barriers to Trade (TBT) are codes requiring standards of proof for introducing regulations that may negatively impact trade but also have justification in terms of health, safety, environmental protection, etc. Other multilateral agreements focus on import licensing procedures, on implementation of GATT articles on antidumping (AD) and subsidies and countervailing duties (CVD) and on Trade-Related Aspects of Intellectual Property Rights (TRIPS), as well as more specific agreements on customs valuation, pre-shipment inspection, rules of origin and safeguards.²⁵ However, there is considerable room for negotiation on bound tariff rates and on exemptions and exclusions from GATS, TRIPS and other agreements.

It should be noted that while WTO members may request reduction of what they consider to be excessive trade barriers, the applicant has bargaining room to maintain protectionist tariffs that it considers to be important. Tajikistan, for example, agreed to an average bound rate of 10.4% on agricultural goods and 7.6% on manufactured goods, which included higher duties on strategic agricultural goods (dried fruits 15-20%, honey 20%, fresh fruits and vegetables 20-23%, cotton 20%, alcoholic products 18-23%) and industrial goods (textile 20%, shoes 20-30%, carpets 30%, tobacco products 18%, and some chemical products 20%), as well as to permissible support for agriculture up to 8% of GDP.²⁶

²⁵ There are also sectoral agreements on textiles and clothing (largely concerned with liberalization of trade up to the end of 2004) and on agriculture.

²⁶ Quoted by Jekic (2019). Within the framework of a 16 May 2018 memorandum on mutual understanding with the US Agency for International Development (USAID), Jovan Jekic was

The working party may also raise questions about other trade-related policies (e.g. foreign exchange and payments, balance-of-payment measures, investment regime, state ownership and privatization, and pricing policies) and about institutions (e.g. the structure and powers of government, administration of policies on WTO-related issues, authority of sub-central governments, uniform administration of trade regime, and judicial review, including the right of appeal).²⁷ State-owned enterprises with explicit or implicit subsidies will come under scrutiny during the accession process. The Uzbek government has already begun reform of the car industry by reducing support for the monopoly producer, *Uzavtosanoat*, and encouraging entry by foreign producers (O’Casey, 2018; Umirdinov and Turakulov, 2019). There are also plurilateral agreements, which WTO members can choose to sign but are not binding on WTO members that do not sign them.

Apart from the detailed bilateral negotiations on tariff bindings and pre-existing trade barriers, accession negotiations may include general issues such as status for special and differentiated (S&D) treatment. The 2017 Trade Facilitation Agreement, for example, required developed countries to implement all commitments while developing countries could delay or limit the scope of commitments conditional on receipt of financial aid-for-trade support. S&D also features in the Joint Statement Initiative proposing a plurilateral agreement on e-commerce, which foresees developing countries that sign the agreement having lower ambition, committing to less scope, having a longer time frame and implement later (the “four Ls”). Within the WTO, developing country status is self-determined; once acknowledged to be a developing country a member has little incentive to graduate.²⁸ The S&D issue is controversial because it undermines the universal application of WTO trade law and to some countries it seems unfair that major trading nations like China should qualify for special treatment. In December 2018 the USA presented a proposal to the General Council emphasizing the need for transparent qualification

appointed to the post of advisor to the Minister of Foreign Trade of the Republic of Uzbekistan in October 2018.

²⁷ In addition to the WTO website, this paragraph draws on the analysis of Belarus and the WTO by Kolesnikova, (2013).

²⁸ Note that S&D is distinct from access to Generalized System of Preferences (GSP) schemes that were introduced in the 1970s and are permitted under the 1979 Enabling Clause. GSP grants exemption from GATT Article I (on unconditional MFN treatment) to developed countries unilaterally granting preferential tariff treatment to developing countries; GSP schemes are donor-determined and the donor decides which countries qualify for preferential treatment and under what terms. The specific category of least-developed countries (LDCs) is defined by the UN and WTO members accept the composition of the LDC group but the category of developing country is not defined.

for special status rather than self-identification; the proposal is strongly opposed by China, India and Brazil among others. In sum, developing country status is a benefit worth seeking because it adds to a member's flexibility, but it may be a transient benefit.²⁹

6. Conclusions

Under President Karimov, Uzbekistan had a controversial economic record. After a brief interlude of market-oriented reform in 1994-6 the overall policy record was of gradual change and pervasive government intervention. Economic performance in the 1990s was good relative to other former Soviet republics, but more mixed in the twenty-first century when it fell behind that of neighbouring Kazakhstan and saw two million workers migrate to Russia and Kazakhstan in search of better jobs than were available in Uzbekistan. Opposition to the authoritarian regime was forcibly repressed, and the president saw little reason to cooperate with multilateral economic institutions and no need to pursue WTO membership.

Following Karimov's death in 2016 and succession by President Mirziyoyev, hopes were high that the generational shift would be a harbinger of reform. From the start, President Mirziyoyev mended bridges with neighbours and worked to improve international economic relations. In September 2017 he implemented the crucial liberalization of foreign exchange markets. Other measures are less spectacular and harder to evaluate, but they reinforce appearances that a revived WTO application will be easier to conclude successfully than the earlier negotiations.

Uzbekistan's inward-looking interventionist policies raised average living standards, especially when helped by high world prices for exports of minerals and natural gas, but after the end of the resource boom in 2014 the strategy was heading to a dead-end. The obvious solution was diversification from the fairly narrow economic base of cotton, gas, minerals and a heavily protected manufacturing sector, and the only feasible route to sustainable diversification is to engage in the global economy. That in

²⁹ A separate issue is categorization of a country as a non-market economy. A country pursuing an anti-dumping case against a member whose domestic prices are considered artificial and hence inappropriate benchmarks may use constructed prices to determine whether the good is being exported at a price below "cost". This practice is detested because it allows discretion in how the benchmark prices are constructed. Since non-market status is determined by the importer, it is valuable to obtain commitments that it will not be invoked in AD cases against Uzbekistan.

turn requires access to imported inputs and to export markets, both of which will be aided by WTO membership.

Negotiations will take place because the WTO in the 2020s is less about agreeing on the height of tariffs or extent of quantitative barriers to trade than about ensuring a level playing field. WTO members will expect Uzbekistan to abolish many of the measures used to help particular sectors or even individual producers, from the high-profile widely abhorred and now abolished use of child labour in cotton harvesting to the pervasive credit rationing by the state-dominated financial sector. At the same time, Uzbekistan must take the opportunity to negotiate exemptions from WTO regulations and codes that are not in its national interest, e.g. where health, safety or environmental reasons for the exclusion are strong. If Uzbekistan is as committed to reform as President Mirziyoyev sometimes claims, then the path to WTO membership will be easier and WTO membership will benefit the reformed economy.

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