



METHODOLOGICAL CONSTRUCTION OF THE MECHANISM OF STATE SUPPORT OF EXPORT DUE TO SUBSIDING

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ABSTRACT

The article attempts to highlight the reasons for the increasing importance of improving the support system, the positive impact of exports on economic growth in our country, as well as new aspects. The features and tasks of using its effective tools and methods are described on the basis of mastering the world practice of effective foreign economic activity and the experience of modern trends in the export promotion mechanism. The directions of supporting the positive impact of effective exports on economic growth in the prospects for socio-economic development of the Republic of Uzbekistan until 2030 have been substantiated.

KEYWORDS: *foreign economic activity, export, export potential, economic growth, systemic problems of export share growth, financing of export operations, financial support for export, financial services for export, activity of export banks and credit agencies.*

INTRODUCTION

In the "Concept of complex socio-economic development of the Republic of Uzbekistan until 2030", approved with the Decrees of the President of the Republic of Uzbekistan dated 08.01.2019 No. UP-5614, dated 10.01.2019 No. UP-5621 and dated 17.01.2019 No. UP-5635, as well as by the order of the Administration of the President of the Republic of Uzbekistan dated July 1, 2019 No. 14983-xx., Special attention is paid to the issues of creating an effective mechanism for state support for exports [1, p. 15].

In modern conditions of globalization, the economy of the Republic of Uzbekistan is increasingly integrated into the system of world economic relations, and its place in the world system of division of labor largely predetermines the possibilities of long-term development. Strengthening and expanding international economic cooperation provides for an increase in the efficiency of using the global competitive advantages of the Republic of Uzbekistan in the world economic system, participation of the Republic of Uzbekistan in the international system of division of labor through: changes in the sectoral structure of the national economy, diversification of the geographical structure of foreign trade, development of foreign trade cooperation with foreign states.

One of the priority directions of the foreign economic strategy of the Republic of Uzbekistan in the conditions of the implemented course of accession to the WTO is to increase national competitiveness, state support for the

manufacturing sector and, first of all, its most competitive objects - exporting organizations.

A radical change in the conditions of international economic cooperation, providing significant positive effects for the national economy of the country, strengthening the position of the Republic of Uzbekistan in promising emerging markets in the context of solving the problems of diversification and innovative development are impossible without modernizing the mechanism of state support for exports.

The increasing dependence of the state on the increased volumes of export of strategic resources is a significant threat to the economic security of the country, which predetermines the need for a policy of supporting national exporters, reducing administrative barriers in organizing foreign economic activity (FEA), promoting the development of small and medium-sized businesses and creating a full-fledged mechanism of state support for republican and regional levels.

In the context of modernization of the national economy, a shift in emphasis from raw materials to high-tech export-oriented industries will contribute to the diversification and improvement of the export structure and the foreign economic complex as a whole, the release of products of the Republic of Uzbekistan to new promising markets, as well as an increase in the country's budget revenues, which do not depend on the situation in the raw materials markets.

At the same time, the instruments of state support for exports are not effective enough due to the insignificant amount of allocated budget funds, the lack of consistency in the implementation of



measures to stimulate export activities, and the lack of instruments to support the export of innovative products.

From a practical point of view, the task is to create an effective state system of financial support and export promotion. The development of product exports is an important part of the trade policy of most countries.

The production and export of products with high added value is considered as the basis for the economic growth of any country.

Of particular relevance for the Republic of Uzbekistan is the issue of using the advantages of the WTO in the formation of a competitive national policy in the field of support and promotion of exports, the key instrument of which is export subsidies.

Financial support for the export of high-tech products should become one of the priority areas of government policy to ensure the competitiveness of national companies in the world market.

According to the author, the practice of using financial instruments to support exports in the Republic of Uzbekistan, on the one hand, largely contradicts the rules of the WTO and OECD, and on the other, far from fully reflects the possibilities of using the mechanisms of financial support for national exports of high-tech products provided for by the WTO and OECD. In this regard, in the context of the accession of the Republic of Uzbekistan to the WTO (today the Republic of Uzbekistan participates in the role of an observer and huge work is underway for its accession to the WTO), it is an urgent task to develop a national system of state financial support for the export of high-tech products that meets two requirements; firstly, it would be adequate to the requirements of the WTO and OECD, and secondly, it would take into account as fully possible mechanisms of financial support for exports, permitted under the rules of the WTO and OECD.

Concentrated, the relevance of the topic of this scientific article is due to a number of objective circumstances:

- First, the transformation of the world market for high-tech products into a catalyst for economic development;

- Secondly, insufficient knowledge of the issues of world practice of regulation of state financial support for the export of high-tech products;

- Third, the objective need for the formation of a national system of state subsidies for the export of high-tech products in the Republic of Uzbekistan, adequate to the rules of the OECD and the WTO;

- Fourth, the practical significance of research related to improving the state policy of financial support for the export of high-tech products and the development of appropriate recommendations.

In the modern world, such support is legitimate if it is based on generally recognized international rules, which are aimed at maintaining a balance associated, on the one hand, with the recognition of the countries' right to state support for national exports, and, on the other hand, with the observance of the principle of non-distortion competitive conditions of international trade.

The research in this scientific article is based on the works of economists dealing with foreign economic activity, studying export support systems, developing industrial policy in Russia: Avdokushina E.F., Aganbegyan A.G., Barkovsky A.N., Glazyev S.Yu., Grinberg P.C., Denisov A.C., Drynochkina A.V., Dynksht A.A., Ivanova I.D., Zharshyuva A.A., Kosminsky K.P., Kotlyarova H. tt, Lebedeva I.P., Magomedova Z.G., Migunova A.Yu., Nepssova D.A., Obolenskiy V.P., Oreshkipa V.A., Pakhomova A.L., Rodygina N.Yu., Rozhkova I V.V., Rybakova V.V., Savelyeva A.A., Sitaryapa S.A., Smitienko B.M., Smorodinskaya N.V., Spartak A.N., Susanyana K.G. and others.

Methodological issues of state support for national exports, the role of the WTO and OECD in the regulation of export subsidies were introduced by a number of foreign authors - Dumoulin I.I., Zharinov A.A., Kleinschmidt E., Krugman P., Cooper R., Lederman D., Roderick D., Samen S., Hosse X., Hauswirth A., Kosteci M., Molnar K., Kolodko G. et al.

METHODS

The methodological basis of the research is based on economic theory, the theory of financial and risk management, including the works of scientists on the problems of the mechanism of state support for exports. Methods can be noted as tools: comparison, abstraction, analysis and synthesis, the method of ascent from the abstract to the concrete, groupings.

RESULTS

Over the years of transformation of the socio-economic system, the Republic of Uzbekistan has weakened its position in the world market. This is due to the extremely ineffective structure of foreign trade turnover: raw materials orientation of exports, a low share of products with high added value in exports. In fact, there is a process of transferring the creation of added value abroad (Table-1).

Table-1
Export structure of the Republic of Uzbekistan by SITC sections
(for January-April 2021)*

Structure of SITC	Million US dollars		In% to the previous year		In% to the total	
Total	4305,6	3482,0	87,1	80,9	100,0	100,0
Including:						
Food and live animals	275,0	312,4	75,8	113,6	6,4	9,0
Drinks and tobacco	9,6	8,7	147,4	90,4	0,2	0,2
Non-food raw materials, except fuel	187,1	172,9	69,4	92,4	4,3	5,0
Mineral fuels, lubricating oils and similar materials	239,1	149,2	36,3	62,4	5,6	4,3
Animal and vegetable oils, fats and wax	5,8	1,0	160,9	17,1	0,1	0,0
Chemicals and similar products	259,1	305,9	93,3	118,1	6,0	8,8
Manufactured goods	750,8	1248,9	83,4	166,3	17,4	35,9
Machinery and transport equipment	104,7	207,1	99,2	197,8	2,4	5,9
Various finished products	159,5	234,8	121,0	147,2	3,7	6,7
Other goods	1565,5	190,6	124,8	12,2	36,4	5,5
of which: gold	1557,1	-	126,5	-	36,2	-
Services	749,3	650,7	77,2	86,8	17,4	18,7

* Data of the Ministry of Finance of the Republic of Uzbekistan.

In the structure of exports, 81.3% are goods, which mainly fall on industrial goods (35.9%), food products and live animals (9%), chemicals and similar products (8.8%). The sales of non-ferrous metals increased sharply - \$ 464.2 million (by 75.2%), textile yarn, tuck and finished products - \$ 658.4 million (by 71.9%), clothing - \$ 204.7 million. (by 49.1%), cars - \$ 125.4 million (by 75.2%).

The export of fruit and vegetable products amounted to 327.9 thousand tons, and in value terms exceeded \$ 186 million (by 0.5%).

Over the past three years, the volume of exports to the CIS countries has decreased, and their share in its total volume has decreased from 35.7% to 27.1%. Accordingly, the share in the total export volume of other foreign countries increased from 64.3% to 72.9%.

Compared to 2018-2019, our main partners in the export of goods and services in foreign trade turnover in January-December 2020 were such countries as China (12.8% of total exports), the Russian Federation (9.7%), Turkey (6.7%), Kazakhstan (6.0%), Afghanistan (5.1%), Kyrgyzstan (5.0%) and Tajikistan (2.7%). Their share in the total export volume reached 48.0%.

In the total volume and growth rates of exports of goods and services of twenty large partner countries of the Republic of Uzbekistan, there is a significant differentiation in the share of participants (Table-2).

It is noteworthy that Turkey (\$ 528.5 million) overtook Russia (\$ 495.3 million) and took second place among Uzbekistan's export partners. Together with China, Kazakhstan, Afghanistan, Kyrgyzstan and Tajikistan, these countries occupy 73.4% of the total export volume.

Table 2.
The volume and growth rate of exports of goods and services of twenty large partner countries of the Republic of Uzbekistan *

Country	Mln USD		Growth rate, %		Position occupied	
	2020	2021	2020	2021	2020	2021
PRC	507,2	642,0	57,7	126,6	1	1
Turkey	319,8	528,5	92,1	165,3	3	2
Russian Federation	418,2	495,3	63,2	118,5	2	3
Kazakhstan	233,5	338,3	58,1	144,9	4	4
Afghanistan	214,5	234,0	128,7	109,1	5	5
Kyrgyzstan	179,3	195,7	100,8	109,1	6	6
Tajikistan	119,7	121,9	153,6	101,8	7	7
Canada	23,6	65,7	110,5p.	2,8 p.	13	8
Iran	46,8	62,9	64,1	134,5	9	9
Ukraine	30,9	55,0	68,3	178,3	12	10
Pakistan	18,2	37,1	133,0	2,0 p.	16	11
Turkmenistan	38,9	36,5	114,1	93,8	10	12
Poland	17,0	24,5	120,7	144,3	17	13
Latvia	12,6	23,5	72,4	186,3	20	14
Azerbaijan	21,4	23,1	192,8	107,9	14	15
Singapore	12,2	19,1	88,0	156,7	21	16
Lithuania	5,6	17,2	67,7	3,0 p.	33	17
Qatar	0,1	15,9	32,9 p.	228,7 p.	75	18
Germany	20,5	15,3	152,0	74,4	15	19
Belarus	13,9	14,4	92,2	103,6	19	20

* Data of the Ministry of Finance of the Republic of Uzbekistan.

DISCUSSION

Export subsidies are an essential tool in international trade policy. The issue of export subsidies was and remains one of the main in the system of international economic relations. Throughout GATT / WTO history, subsidies have been a major source of trade disputes and friction between countries.

The WTO recognizes the right for governments to provide subsidies to national producers. At the same time, the WTO establishes certain rules and restrictions in the field of subsidies in order to prevent distortion of the conditions of competition in international trade.

Currently, the basic documents governing the use of subsidies in international trade are the WTO Agreement on Subsidies and Countervailing Measures and the OECD Agreement on Formally Supported Export Credits.

These international agreements, in fact, represent a compromise found at the present stage of development of world economic integration between the ideology of protectionism and the theory of free trade, which allows providing financial support to national exporters to increase their competitiveness in the foreign market, but within certain limits, not distorting the economic conditions of international trade.

The main issue in the system of regulation of export subsidies is the definition of the concept of subsidies. A common point of view on the economic nature of an export subsidy is its identification with a financial subsidy from a government body.

Such a definition of a subsidy, according to the author, is methodologically incorrect, since the subsidy, in terms of its economic content and intended purpose, is aimed at repaying the losses incurred by the enterprise. But, the meaning of the subsidy is not to pay off losses of the enterprise, but to support exports in order to increase the competitiveness of goods of domestic producers in the world market.

In this regard, an export subsidy should be understood as the financial assistance of the state in supporting the export of domestic producers, expressed in the participation of the state in co-financing part of the costs associated with the production, sale and promotion of national goods on the world market.

In the domestic economic literature, the classification of subsidies has become widespread, providing for their division into: prohibited subsidies; Subsidies that give rise to litigation, entail the initiation of disputes in the WTO and the possibility of applying compensatory measures; subsidies that do not give rise to disputes in the WTO.



However, this classification of subsidies is methodologically incomplete. It is well known that financial support by the state for national exports is an economically viable and profitable investment of capital. Export subsidies support employment in export and related industries, and as a result of export growth, the country's balance of payments asset rises. At the same time, three significant factors should be noted that determine the role of export subsidies:

1) the "start-up" role that export subsidies play in reducing the risk of national exporters entering foreign markets;

2) the competitive role that export subsidies provide as a result of the growth in production volumes at the expense of the external sales market, which makes it possible to reduce production costs and sell products at a lower competitive price;

3) a multiplicative role in the development of the national economy, especially when exporting high-tech products, in the production of which enterprises and organizations from many sectors of the economy are involved.

The developed model includes five types of export subsidies, the application of which is linked to specific stages of innovation and stages of the life cycle of exporting enterprises:

1) Subsidies for industrial research and pre-competitive development for the creation of innovative export products;

2) Subsidies for the development of new high-tech production of innovative products for export;

3) Subsidies provided for the formation of the export potential of enterprises;

4) Export subsidies provided to ensure the fulfillment of export contracts;

5) Subsidies for the adaptation of production capacities of enterprises to the new requirements for environmental protection for the purpose of technical and technological re-equipment of export-oriented industries.

1. The stage of research and development is the most important stage of the innovation process at the enterprise, which carries out research, development and design work. The end result of this stage is the release of working design documentation, production and testing of prototypes. As a rule, these works are carried out in research and production units of large industrial organizations.

Their implementation is associated with a high degree of probability of obtaining negative results. Investment in research and development is associated with high financial risk, which necessitates the participation of the state as a source of financial support for research and development.

At the stage of research and development, in accordance with the WTO Agreement on Subsidies and Countervailing Measures, it is possible to use

subsidies for industrial research and pre-competitive development. The provision of these subsidies can be targeted, that is, it can be aimed at solving specific target tasks for the creation of new high-tech products. In this regard, it seems advisable to use this type of subsidies for targeted project financing of research and experimental development in the field of creating high-tech products.

It should be noted that the object of this type of subsidies is not technical re-equipment or modernization of production, but research and development aimed at creating and producing high-tech products.

2. The WTO Agreement on Subsidies and Countervailing Measures specifically regulates the cases of granting subsidies for the development of new production, when exporting enterprises take financial obligations to develop goods or create capacities for their production, but the production of these goods has not yet begun.

For such cases, it is established: if the enterprise-recipient of the subsidy is in the initial period of formation, then the size of the subsidy is possible within 15% of the total amount of capital investment. At the same time, the initial period of formation should not go beyond the first year of production. The use of subsidies in the amount exceeding 15% of the total amount of capital investments will mean a significant threat of serious infringement of the interests of the importing country, which entails the possibility of applying measures - the introduction of countervailing duties.

This provision of the WTO Agreement on Subsidies and Countervailing Measures, in fact, opens a new direction in the use of export subsidies, when the production of high-tech products is made under the order of a foreign buyer-importer. In this case, on a legitimate basis, the exporting enterprise can be provided with a subsidy for the development of a new high-tech production.

It should be noted that the initial stage of the establishment of an enterprise includes cases where financial obligations to develop a given product or create facilities for the production of goods that benefit from a subsidy have already been taken, although production has not yet begun.

Thus, at the stage of establishment of an enterprise in accordance with the WTO rules, subsidies for the development of new high-tech production can be applied. At the same time, the provision of such subsidies can have a targeted nature, that is, be aimed at stimulating the export of specific types of high-tech products.

3. Of great importance for the formation and development of foreign economic activity of enterprises, especially small and medium-sized enterprises, the creation and strengthening of their export potential is the provision of financial support



to them at the stage of preparing the enterprise for export activities. This support is possible through the provision of export subsidies that are not linked to export performance.

At the same time, there are two types of export subsidies provided at this stage: export subsidies to exporting enterprises; export subsidies provided to organizations that form the infrastructure to support export-oriented enterprises.

4. At the stage of export activities, subsidies may be provided to enterprises to ensure the fulfillment of export contracts. In accordance with the OECD norms, at this stage it is possible to provide authorized export subsidies linked to export results in the following forms: export crediting; reimbursement of a part of interest rates on bank loans; export credit insurance; guaranteeing export operations.

5. The WTO Agreement on Subsidies and Countervailing Measures specifically regulates the application of subsidies at the stage of adaptation of production capacities of enterprises to the new requirements for environmental protection imposed by legislative and regulatory acts. In order to meet the new requirements for environmental protection, enterprises may be provided with subsidies for technical and technological re-equipment of production.

It should be noted that this type of subsidies is not applied in the Republic of Uzbekistan. At the same time, subsidies for the adaptation of production capacities of enterprises to new requirements for environmental protection could become an effective instrument of state policy aimed at creating modern export-oriented high-tech industries.

Thus, the accession of the Republic of Uzbekistan to the WTO provides an opportunity to use a wide arsenal of instruments of state financial support for the export of high-tech products. The developed model makes it possible to comprehensively, on the basis of a systemic and targeted approach, build a system of state financial support for the export of high-tech products of the Republic of Uzbekistan, adequate to international rules and norms, and, ultimately, take advantage of the benefits of integration into the world economy based on the participation of the Republic of Uzbekistan in the WTO.

CONCLUSION

To apply these forms of export subsidies, it is necessary to comply with the provisions on interest rates of the OECD Agreement on Officially Supported Export Credits.

At the same time, the financial mechanisms for supporting exports, currently used in the Republic of Uzbekistan, need to be substantially adjusted and brought in line with the WTO and OECD standards.

State financial support for exports must meet the following conditions:

First, all mechanisms of state support for exports should be paid, close to market conditions, not distorting the economic conditions of international trade. For this purpose:

a) the amount of payment for granting export credits should be regulated in accordance with the norms of the OECD Agreement on officially supported export credits, which determine the size of minimum commercial interest rates (CIRRs);

b) the amount of payment for the provision of government guarantees and government insurance of export credits should be regulated in accordance with the norms of the OECD Agreement on officially supported export credits, which determine the size of the minimum credit risk premium rate (MPRs);

c) the amount of the reimbursement of a part of the interest rate should be set in such a way that the interest rate minus the reimbursable part of the rate would not be lower than the CIRR value determined in accordance with the provisions of the OECD Agreement on officially supported export credits.

Second, the maturity of state financial support must comply with the provisions of the OECD Agreement on officially supported export loans:

a) the minimum maturity must be at least two years;

b) the maximum maturity period should be: for countries of category I, no more than five years (with the possibility of agreeing up to eight and a half years based on the application of the preliminary notification procedure);

c) for countries of the II category no more than ten years.

Third, the OECD Agreement on Officially Supported Export Credits requires the buyer of export products to make an advance payment to the exporter for 5% of the supply contract amount. In this case, the advance payment must be paid by the buyer in cash at his own expense, and in the absence of such funds, borrowed sources may be involved, but on market conditions.

Fourth, the terms of repayment of export credits must comply with the norms of the OECD Agreement on officially supported export credits. Loan repayment should be uniform with a frequency of no more than 6 months.

In the context of limited budgetary funds allocated for the purpose of subsidizing exports, the issue of criteria for the allocation of products is relevant, for the export of which it is advisable to use financial support mechanisms. So, according to the current procedure for reimbursing part of the cost of paying interest on export loans, such a criterion is the classification of products as products with a high



degree of processing, which is understood as industrial products, the production of which includes at least 4 technological stages.

In practice, the use of "the number of technological stages of production" as a criterion creates only the appearance of stimulating the export of high-tech products. In general, the criteria for the selection of products, in relation to the export of which it is advisable to apply financial support mechanisms, should be: classification of products as innovative; production of such products in high-tech industries of the manufacturing sector of the economy.

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