



# THE WAYS OF INCREASING THE EXPORT EFFICIENCY OF UZBEKISTAN

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## ABSTRACT

*The export as main part of international economic activity has an important share in creating the GDP of the country. On the other hand, as it is a type of economic activity, there are indicators showing its efficiency which is leading the countries to gain more profit and income from international operations. It should be noted that the criteria for efficiency vary at different levels of foreign economic activity. Each level has its own criteria for determining the effectiveness of economic activity based on its objectives. If studied on the example of enterprises and organizations, the income from these activities is considered as the main indicator of export efficiency.*

*At the national level, foreign economic activity, in particular export efficiency, is reflected in the share of exports in GDP and other macroeconomic indicators, making rational use of domestic production.*

**KEYWORDS:** trade, export, efficiency, financial support, informative support

## 1. INTRODUCTION

The limitations of the factors of production and, at the same time, the diversity of the needs of society have created an objective need for the rational use of resources and opportunities. Factors of production are not equally distributed throughout the world countries. As a result, the international movement of these factors is one of the main conditions for their rational use.

The most important form of international economic relations is the trade in goods and services. As Benjamin Franklin, a well-known politician and economist, put it: "No country (nation) has declined from trade." But in our opinion, every country always has the opportunity to earn more. And every participant in international trade wants to take advantage of this opportunity. This requires implementing the right policies and working in the right direction. An appropriate study of the current situation, based on its own capabilities, is an important foundation that ensures that the chosen policies and directions yield the expected results. In this regard, regular analysis of foreign trade indicators, in particular, comparison of the achieved results and potential, regular monitoring of the level of efficiency will ensure the strength of the foundation described above.

## 2. LITERATURE REVIEW

Economic efficiency refers to the state of the economy that can maximally meet the needs of consumers under conditions of limited factors (Bondarenko, 2012). According to S.F. Pokropivny, the concept of efficiency is studied in the foreign literature as the production capacity of the production and service system, and implies the rational use of resources in the production and service sectors (Pokropivny, 2003). S. N. Ryabukhin, on the other hand, defined as economic efficiency, the achievement of the required amount of raw materials and other resources in the production of a particular product or service, with the conditions of the prevention of overspending (Ryabuhin, 2009).

### 2.1 Methodology of analyze of export efficiency

Summarizing a number of definitions, the term economic efficiency can be defined as a complex concept that refers to the results achieved during the activity and the costs incurred in it, as well as the degree to which the set goals are achieved. This definition can also be used to express the concept of export efficiency. There is no clear set of indicators of export efficiency. Perhaps, depending on the purpose set in the analysis of export efficiency,



different sets of indicators are used in different methods. Export efficiency indicators can be divided into two groups [4]:

1. Absolute quantitative indicators: a monetary measure of the difference between costs and revenues in monetary terms

2. Relative indicators calculated through costs and revenues.

Some methodological principles should be followed in the calculation of indicators:

- the primary data is as complete as possible.

This is because not fully accounting for costs or revenues will result in an artificial increase or decrease in efficiency accordingly.

- Comparison of indicators with the base indicator.

- to bring a single quantity and feature (in terms of time, quantity, quality, etc.) for a correct comparison of costs and incomes.

It should be noted that the criteria for efficiency vary at different levels of foreign economic activity. Each level has its own criteria for determining the effectiveness of economic activity based on its objectives. If studied on the example of enterprises and organizations, the income from these activities is considered as the main indicator of export efficiency.

At the national level, foreign economic activity, in particular export efficiency, is reflected in the share of exports in GDP and other macroeconomic indicators, making rational use of domestic production.

The term "export performance" is used in foreign literature to describe the export status of the country. This concept includes several indicators that reflect export results. In the methodology of the International Trade Agency, the volume of exports, export growth indicators, the share of individual sectors, trade balance, per capita exports, world market share, product and market diversification are studied as key indicators of export status<sup>1</sup>.

In this study, four main indicators were used in analyzing of countries' exports:

Export volume is the export revenue for a given period, which shows how the country's exports are in general.

The share of exports in GDP is a relative quantity, which reflects the level of openness of the country's economy, and therefore the role of foreign trade relations (exports) in the national economy and its impact on it.

Exports per capita – will have more clear view in a comparative analysis of two or more countries.

The share of the largest partners in total exports shows how geographically developed the country's exports are, with the other words, it shows geographical diversification of the export. All those indicators will help to better understand the state of countries' export on terms of quantity and quality.

### 3. THE EXPORT INDICATORS AND ANALYZE OF UZBEKISTAN

In the study the indicators used for the two groups of countries: Central Asian countries (not including Turkmenistan) and other countries with the close number of population but with better export performance than Uzbekistan.

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1 Official web page of International trade center agency - <https://tradecompetitivenessmap.intracen.org>

**Table I.**  
**The export indicators of the countries of Central Asia**

|                   | Export volume<br>(mln US dollars) |          | The share of<br>export in GDP<br>(%) |       | Export per capita<br>(US dollars) |         | The share of<br>main 7<br>partners in<br>total export |
|-------------------|-----------------------------------|----------|--------------------------------------|-------|-----------------------------------|---------|---|
|                   | 2015                              | 2019     | 2015                                 | 2019  | 2015                              | 2019    | 2019  |
| <b>Kazakhstan</b> | 52582,00                          | 65831,20 | 28,50                                | 36,50 | 2997,35                           | 3555,78 | 62,5  |
| <b>Uzbekistan</b> | 12549,00                          | 18070,50 | 15,30                                | 31,20 | 400,94                            | 538,12  | 51,4  |
| <b>Kyrgyzstan</b> | 2350,00                           | 3160,70  | 35,19                                | 37,40 | 394,50                            | 489,52  | 92  |
| <b>Tajikistan</b> | 823,90                            | 1174,40  | 10,50                                | 14,50 | 97,46                             | 125,99  | 82,3  |

Source: [www.worldbank.org](http://www.worldbank.org) - Based on World Bank statistics.

As can be seen from the data in the table, Kazakhstan's export figures are several times higher than other countries in the region. In 2019, the volume of exports was almost 3 times higher than the sum of the three other countries, and the volume of exports per capita was 6-7 times higher than in these three countries. In terms of the ratio of exports to GDP, for Kyrgyzstan, Kazakhstan and Uzbekistan it was 37.4%, 36.5% and 31.2%, respectively. Tajikistan's exports accounted for only 14.5 percent of GDP, almost close to the same indicator of Uzbekistan but in 2015. This means that the country is pursuing a relatively closed economic policy.

The last column of the table contains information on the geographical features of exports, which shows the share of the 7 largest partner countries in total exports. Kyrgyzstan and Tajikistan account for 92 percent and 82.3 percent, respectively. This means that the bulk of the country's exports are directed to several countries, which in turn is directly

dependent on the economies of a small number of countries at a high level.

For Uzbekistan and Kazakhstan, the figures are 51.4% and 62.5%, respectively. This indicates that the commodity composition of exports is relatively strongly diversified. It should be noted that this indicator should not be assessed as positive or negative at first glance. To know the real situation, it is necessary to analyze the commodity composition of the country's exports, the level of prices and added value of goods in it. Because the export of products with a high level of profitability to geographically close, neighboring countries can't be considered a negative situation. In the world experience, there are a number of countries that record the same indicators and have high export efficiency. In the next table, we consider data from countries in different regions that are close to Uzbekistan in terms of population but several times higher in terms of exports as we already mentioned above (Table II).

**Table II.**  
**The export indicators of the countries**

|            | Export volume<br>(mln US dollars) |          | The share of<br>export in GDP<br>(%) |      | Export per capita<br>(US dollars) |        | The share<br>of main 7<br>partners in<br>total export |
|------------|-----------------------------------|----------|--------------------------------------|------|-----------------------------------|--------|---|
|            | 2015                              | 2019     | 2015                                 | 2019 | 2015                              | 2019   | 2019  |
| Uzbekistan | 12549,0                           | 18070,5  | 15,3                                 | 31,2 | 400,9                             | 538,1  | 51,4  |
| Malaysia   | 209287,0                          | 238299,0 | 69,5                                 | 65,3 | 6913,8                            | 7458,5 | 62,8  |
| Morocco    | 35211,0                           | 46468,0  | 34,8                                 | 39,1 | 1015,8                            | 1274,1 | 65,1  |
| Peru       | 40404,0                           | 54864,0  | 21,3                                 | 24,2 | 1326,0                            | 1687,6 | 66,5  |
| Poland     | 236391,0                          | 330133,0 | 49,5                                 | 55,8 | 6223,0                            | 8694,4 | 58,2  |

Source: [www.worldbank.org](http://www.worldbank.org) - Based on World Bank statistics.

The table shows the two periods as above, with the highest growth rates in 2015-2019 in Uzbekistan's exports. During these years, the country's exports increased by 5521.5 million US dollars, which is 143.9% compared to 2015. Polish export growth was 139.6% for the same period, an increase of \$ 93742 million and in 2019 amounted to \$ 330133.0 million. Although the additional growth

rates observed during the two periods are close, the quantitative difference is 17 times for Uzbekistan and Poland. Morocco has the lowest export figure in the group (after Uzbekistan), and in 2019 exported 2.5 times more goods and services than Uzbekistan, which is equal to \$ 46468.8 million.

Malaysia and Poland also lead in the next indicator. The ratio of exports to GDP is 65.34% and



55.75%, respectively. This is a result of the fact that international trade relations are highly free in these countries.

#### 4. CONCLUSIONS

Of course, a number of natural and objective factors affecting export performance and its efficiency can be listed: geographical location, access to international transport corridors, the level of economic development of countries in the region and the distance or proximity of developed countries.

However, in this regard, it would be expedient measures considered for the development, support and encouragement of exports, the specifics of the export policy in these countries.

In the Polish experience, a set of financial measures developed by the state to support exporters is a noteworthy aspect. The Guarantee Department of the Ministry of Finance is responsible for this area, and we can see from its data that the following financial assistance is available in Poland [6]:

- Government loans, targeted loans (for export activities directed to a specific region or country). This encourages the expansion of export geography, increases interest in new markets, and encourages manufacturers and exporters to innovate.

- Export credits of the National Economic Bank

- Insurance and financial guarantees by the Export Credit Insurance Corporation for export activities and contracts. The strong positive impact of these services can be seen, especially in entering rapidly evolving markets. In rapidly evolving markets, only large organizations invest in new types of products and services. The main market participants, on the other hand, invest their financial resources in working capital for traditional activities. The reasons for this are, firstly, that the risk is low, and secondly, the benefits that come from the traditional type of activity due to the pace of development also satisfy these participants. When entering markets with such a feature, financial guarantees allow you to reduce risks and make more efficient use of capital.

- Financial support mechanism for loan interest. This practice is regulated by the Government-sponsored export credit agreement. Under this agreement, exporters can apply for all types of export credits. Certain criteria are set for the use of loans and incentives. These include prepayments, minimum loan rates, as well as debt repayment periods that vary according to the level of economic development of the host country (determined by GDP).

In addition to the above, the government provides various other targeted financial assistance on a case-by-case basis, or at the level of the country's inland regions.

From the experience of Malaysia, I think it is appropriate to look at the information method of export support. The Malaysian Foreign Trade Development Corporation (a government organization) has been established to develop, support and explore new areas of export in the country. This organization aims to reveal all the features of the new market by offering a complete information platform for exporters. It also provides buyers with complete information about Malaysian products. Its responsibilities include promoting the export of finished and semi-finished products, developing and implementing a national export development strategy, and protecting the interests of Malaysian exporters in the international market. The only main goal is to bring the country to a leading position in the world market. It is noteworthy that the management team of this organization consists of senior officials (Minister of Economy, Minister of Industry) and representatives of the real sector of the economy. This ensures that the work carried out is effective and reasonable on both sides.

As a developing country, Uzbekistan's access to world markets and effective exports depend on the government's support and incentive mechanism, as well as the quality of services provided by financial institutions. In this regard, the effective use of the Polish experience, taking its strengths, can be introduced into the national economy. In particular, the widespread introduction of bank guarantee services, taking into account the capabilities of small business and private entrepreneurship. It is also necessary to develop mechanisms to provide financial assistance to reduce the risks of exporters to new markets, and, most importantly, to put it into practice. The financial incentive in the form of partial reimbursement of transportation costs established this year and its implementation in real life will be proof of the above opinion. Of course, the importance of natural and geographical factors has a high impact on export efficiency, but countries and economic institutions are the main factors that determine efficiency. Proper organization and effective use of them will increase the efficiency of the country's foreign trade activities, which in final leads to economic prosperity.

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