

**The role of foreign trade in the integration of the national economy into the world market**

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**ABSTRACT**

Today, it demands that the modern national economy is interested in the global system. Therefore, to achieve long-term strategic success and gain a strong position in the world economic system, Uzbekistan is adopting economic integration into the international community as a priority task.

The development of the national economy depends on international economic relations and integration as the globalization process progresses. It is influenced by the economic potential of partner countries and their constant increase. Therefore, integrating the national economy into the world market and the importance of foreign trade are important tasks to be studied continuously. At the stage of further liberalization of Uzbekistan, foreign trade integration tendencies were examined in this article. It explored the peculiarities of our country's economic relations with foreign countries and their socio-economic development impact. The purpose of this article is to assess the process of merging into the global market and demonstrate its characteristics. Ways to increase and improve the role of national foreign trade are recommended in strengthening the deep penetration of the country's economy into the international market.

**Keywords:** national economy, foreign trade, exports, imports, foreign economic relations, foreign trade geography, world market, economic integration, globalization

**INTRODUCTION**

Uzbekistan is improving foreign economic activity and integrating into the international community to achieve long-term strategic goals and gain a strong position in the world economic system. In particular, Uzbekistan is a member of such global institutions as the United Nations, the International Monetary Fund, the World Bank, the International Labor Organization and actively participates in the processes of regional economic integration, including activities of the Commonwealth of Independent States (CIS), Shanghai Cooperation Organization (SCO) and other similar structures. Meanwhile, Uzbekistan is preparing to become a member of the World Trade Organization (WTO), which operates globally in foreign trade [14]. It, of course, demands the imposition of liberalism in the national economy and the restriction of protectionism. Since the active entry into the world community and comprehensive integration, in turn, brings the implementation of international legal and organizational norms. In particular, this situation consists of economic, trade, investment, and migration processes.

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Therefore, each country's foreign trade turnover, the development of imports and exports, and geographical distribution are required to examine. The development level and the geographically located region of countries affect economic relations and any state's integration process.

### **MATERIALS AND METHODS**

Today, some countries or specific economic integration structures have a considerable share in any country's exports and imports. It causes particular problems to arise, even in this regard, can interfere with foreign economic security. In particular, if such a situation arises, this leads to the fact that the country's exports or foreign trade depend on changes in these countries' economies. Therefore, the diversification of the composition of exports or foreign trade or the deepening of economic integration and the expansion and diversification of countries' geography creates the basis for achieving the results envisaged, protecting the national economy from unfavorable external market conditions. In particular, in the Decree of the President of the Republic of Uzbekistan, "Ensuring the national economy's proportionality and stability and the competitiveness of national goods in the domestic and foreign markets," it is considered a priority and important task. [Decree of the President of the Republic of Uzbekistan, 1].

The mechanisms of national business integration are deepening in the global economy as a result of socio-economic development. They are the embodiment of various stages and situations in the country, from trade to the coordination of macroeconomic policies. In essence, the process of international or regional economic integration in the world reflects the transformation in national economies into a deep socio-economic and political system, the deepening of economic relations with a solid foundation, the active participation of countries in the international division of labor, the interaction in different levels and manifestations in production. The development of economic integration processes among the national markets is manifested mainly in the free movement of trade in goods and services, capital flows and labor migration, scientific-technical and Information-Communication Technologies, financial-credit sectors other economic agreements of the state. As a result of economic integration processes in the world economy, it is created a single economic union, a single monetary unit, a financial and credit system, and other similar countries or governments. For example, this can be cited as an example of the European Union (EU), North American Free Trade Agreement (NAFTA), Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC), CIS, SCO, and others. Such integration structures are considered to have a specific position in the global economy. It remains to be noted that the simplest type of economic integration is the organization of territories for the liberalization of trade, the most complex of which is aimed at harmonizing the macroeconomic policy of the state. Today, there is strong competition between countries to get more share from the world market and strengthen their position [Sodikov, Z.R, 5]. Therefore, this process is an impetus for establishing Trade Unions, Associations, and structures of different countries' levels and establishing economic relations. The first manifestations of establishing economic structures arose in preferential trade agreements and free trade zones.

According to data from international economic and financial institutions, 45-50% of World Trade is carried out in these integration regions. As a result of the reforms carried out to deepen liberalization and integration of Foreign Trade, countries with established economic cooperation with Uzbekistan are increasing. In particular, Uzbekistan's foreign trade partners sharply increased compared to 2000, forming more than 190 countries. Thus, it is possible to

observe that the country's foreign trade geography is constantly growing, new markets are being developed in the direction of exports and imports.

**Methods:** The author used scientific abstraction, logic and historicity, comparative and dynamic analysis, comparison, and other methods.

### RESULTS

Foreign trade and integration are implemented by the expansion of the resource base and the elimination of the narrow domestic market, the intensification, and increase of the efficiency of the Re-production processes, the strengthening and acceleration of sustainable economic growth, the productive use of natural and labor resources, the deepening of international specialization. International trade is the initial form and main direction of World Economic Relations [15]. International trade is developing due to the great geographical discoveries, the opening of new sea routes, the emergence, and development of machine-made production, the emergence of new industries and sectors, the increase in labor productivity and the intensification of exports, the rise in demand for raw materials resources in most countries. As a result, there is a need for an international market that coordinates foreign trade's process and actions [Dominick, Salvatore, 3]. The global market is a complex of separate national markets, formed based on International Labor distribution and specialization and intertwined through economic relations. The effective use of International Labor distribution and specialization opportunities, the restoration of export-oriented production, and the strengthening of industrial products' exports play an important role in ensuring Uzbekistan's specific prestige globally.

Therefore, relations with the world economy and its broad participation in the international division of labor are the basis of the restoration of the open economy [Paul R. Krugman, Maurice Obstfeld, and Marc J. Melitz, 4]. The ultimate result of the reforms carried out on the country's foreign economic activity directly affects its living standard. In particular, the decisions taken to increase the export potential allow local companies to gain experience in the foreign market. Ultimately, they have the advantage of competing in World Trade. As a result of the reforms to stimulate exports, optimizing imports, and ensuring the balance of foreign trade in general, the foreign trade turnover in 2019 amounted to 42.2 billion USD. It went up to USD 8.7 billion in 2018 compared to the same period. At the same time, the volume of exports in this period amounted to 17.9 billion US dollars [12, 13]. It grew by 28% or more in the amount of US dollars, and the volume of imports amounted to 24,3 billion. It increased to 24,9%. At the moment, 6,4 billion US dollars, a negative foreign trade balance was recorded. As a result of the industry's diversification, the support of exports, the expansion of import-substituting commodities, significant changes are being achieved.

In Uzbekistan, the share of individual national economies is investigated to understand global foreign trade better. Because it determines to what extent the potential of the countries in the world economy and their share in the exports or imports of Uzbekistan, these two indicators are the basis for determining the directions of maintaining trade policies related to countries or the outside world in general [Tukhliyev, N., 2]. Traditionally, Uzbekistan's foreign trade partners are divided into two groups; the first group includes the CIS member countries, the second group comprises other countries of the world. The trade volume between Uzbekistan and the CIS countries (Russia, Kazakhstan, Belarus, Ukraine, Kyrgyzstan, Tajikistan) is considered significantly higher. China, Turkey, S. Korea, Germany, Afghanistan, Latvia, USA, Iran, France, Italy, and others the second group countries that cooperate with Uzbekistan. In the following years, Uzbekistan is carrying out trade relations with more than 190 countries of the world, with

the share of foreign trade turnover of 18.1% to China, 15.7% to Russia, 8.0% to Kazakhstan, 6.5% to S. Korea, 6.0% to Turkey, 2.3% to Germany and 2.0% to Kyrgyzstan. Simultaneously, there is cooperation with Central Asian countries, developing relations in the economic, social, trade, industrial, and cultural spheres. There have been significant changes in the mutual trade with Kazakhstan, Tajikistan, Kyrgyzstan, and Turkmenistan in recent years. Mutual trade increased by two times with Kazakhstan and Tajikistan, by three times with Kyrgyzstan and Turkmenistan, by 600 million US dollars with Afghanistan. An active foreign trade balance was recorded with the 20 largest Uzbekistan partners. Afghanistan accounted for 612.1 million dollars, Kyrgyzstan 529,0 million US dollars, Tajikistan 191,5 million US dollars, France 65,7 million US dollars, and Iran raised 15,0 million. Passive foreign trade balance with 15 countries is being recorded [Stat. Uz, 9].

Analysis of Uzbekistan's foreign trade turnover dynamics shows an increase in the volume of exports and imports compared to previous years. For example, compared to In 2017, foreign trade increased 1.6 times, imports 1.9 times, exports 1.3 times in 2019. A third of the foreign trade turnover accounted for the share of CIS countries, and in recent years there is a relatively slow downward trend. It means that economic relations with other foreign countries are developing. As a result of the activities carried out by Uzbekistan in support of foreign economic relations and further strengthening cooperation with the CIS countries in this sphere, the share of the CIS in foreign trade amounted to 34.6% in 2019, the volume of foreign trade increased by 120.0% compared to the previous year. Despite the growth, the share of CIS countries in foreign trade decreased by 1.7% compared to 2018. The share of distant foreign countries grew faster than in the CIS countries and amounted to 129,7% in 2019, the share in the total foreign trade turnover was 65,4%. The development of foreign economic relations is a factor in the sustainable growth of exports, laying the groundwork for achieving significant results. Reforms carried out to increase the country's export potential, supporting exporters by the state, expanding export-oriented products' vocabulary increased dramatically the exports, which amounted to 17.9 billion dollars. The share of goods in national exports is 80,1%, mainly precious metals together with silver are 28.5%, energy carriers and petroleum products 14.1%, textile products 9.1%, food products 8.5%, most fruits and vegetables 6.7%, non-ferrous metals and articles thereof 5.3%, chemical products, and articles 4.9%. It is observed that there are differences in the composition of exports of Uzbekistan to the CIS and distant foreign countries.

In particular, 80% of exports to the CIS countries consist of services: energy carriers and petroleum products, and fruit and vegetable and textile products. In 2019, the export of machinery and equipment, ferrous and non-ferrous metals, fruit and vegetable products to this region grew rapidly. Only a decrease was recorded in the export of cotton. Diversification in export has been increasing in recent years, including the share of precious metals and fruit and vegetable products increased by 1.5 percent, the share of energy carriers and petroleum products by 1.3 percent, ferrous metals and products by 0.8 percent, services by 0.2 percent, textile products by 0.1 percent. Contrary, there was a downward trend in the share of the remaining groups of goods in proportion to this. The increase in the volume of exposures to fruit and vegetable products was significantly affected by the increase in processed vegetables by 1.8 and 1.6 times compared to 2018. Their share was 46.5% in the total fruit and vegetable content. The increase in energy carriers and petroleum products has the highest share in its composition due to the growth in natural gas and refined petroleum products by 13,9% and 24%, respectively, compared to 2018.

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Also, the exposition of light cars was based on an increase in the volume of 4.2 times in 2019, buses (along with micro-buses) and trucks 1.5 and 1.6 times respectively cars, equipment, and spare parts. The increase in textile products' volume is directly the result of reforms carried out to produce finished products and create additional value instead of cotton. In particular, in 2019, the amount of 1.6 billion US dollars of textile products were exported, accounting for 9,1% of total exports and increased by 1,3 times compared to the previous year. Among the exported textile products, yarn harvested from cotton accounted for 56.9 %, ready-made knitted and sewing clothes accounted for 21.8% of the main share. About 432 types of textile products were exported to 59 countries of the world [Stat. Uz, 9]. Services export volume 3560,2 million US dollars, or the share of services in total exports, increased by 19,9% in the last three years to account for an increase of 16,0% compared to the same period of 2018. Transport and tourism have a share of 49.6% and 39.7% in these export services.

As a direction of foreign trade, it is possible to observe an increase in the volume of imports in recent years, despite the ongoing reforms in the field of promotion and localization of the production of import-substituting products. In particular, the volume of imports in 2019 amounted to 24.3 billion US dollars, which grew by 124.9% compared to 2018. The largest share of imports amounted to 43.8% of machinery and equipment, their spare parts, 13.2% of chemical products made of it, and 10.0% of services. The export volume to the CIS countries is growing, and their share increased from 32.5% in 2017 to 35.6% in 2019, respectively. The percentage in exports of distant foreign countries was 67.5 and 64.4%.

Compared to 2018, the leading export partner country (China) accounts for 14.1%, Russia 13.9%, Kazakhstan 8.0%, Turkey 6.7%, Kyrgyzstan 3.8%, Afghanistan 3.4%, Tajikistan 1.9%, and more than 51% of the total. From the analysis of Uzbekistan's import dynamics, the volume of imported goods in 2019, compared to last year, amounted to 4,5 billion. It has increased to US 21.9 billion. The largest share of imports included 94,7% of energy sources and petroleum products, 61,8% of non-ferrous metals and products, 66,2% of food products, 64,6% of ferrous metals and products, 87,8% of the largest share of machinery and equipment, 79,3% of chemical products and products. Although there is an increase in imports of all other products from machinery and equipment, their share in imports decreased. In particular, the volume of imports in the last three years was increased by 1.7 times, although the absolute value of services imports was increased by 1.2 times. However, its share in total imports was decreased by 4.1%. The increase in the volume of imports of food products was influenced by the 6.1 times increase in sugar content, by 1.7 times increase in cocoa, flour, and confectionery products and their products, by 2.2 times increase in citrus fruits, and by 2.1 times increase in imports of meat, and sub-food products. The increase in energy and petroleum products imports was also affected by a 125 times increase in refined petroleum products imports. Currently, machinery and equipment for agriculture led to the rise in the total volume of imports by 90 times, equipment and spare parts for cars by 87 times, excavators and bulldozers by 119 times, and medical devices and objects 146 times [Stat.uz, 9]

One of the main factors affecting the growth of imports is the increase in imports of machinery and equipment, which is the main part of the investment, its share in total imports reached 43,8%, and the growth in the last three years amounted to 7,7%. Further, the increase in imports was influenced by more than 100 times the increase in the number of medicines and pharmaceutical products, 1.4 times the number of primary plastic products, and 119.2% of food products. In turn, local enterprises that produce this type of goods cannot adequately compete with imported products [Batirova, N. S., 9]. By the end of last year, among the partner countries

in terms of imports, China accounted for 21,0%, Russia had a share of 17,0%. In particular, there was no change in the countries' composition that entered the top six on imports compared to 2018. By the end of 2019, Uzbekistan imported goods and services from more than 190 countries in total. Of these, the seven most significant are China, Russia, S. Korea, Kazakhstan, Turkey, Germany, and the United States [10, 11]. Total imports from the partner countries amounted to 16 651,1 million tons and accounted for 68,6% of its total imports.

It is possible to see that this trend continues in recent years; in particular, the data for 2015-2019 reflect the same character. It means that five countries control more than 60% of the total foreign trade, while the remaining 170 countries account for less than 40%. The specific problem is also reflected in the scale of individual countries' share in imports with foreign trade and exports [Stat. Uz, 9].

When an unexpected instability arises in any country's economy, the unfavorable circumstances lead to chain-like problems to the foreign trade and national economies' production. [Sodikov, Z.R, 6].

**Table 1.**

**The share of leading countries in the foreign trade of Uzbekistan, in %, [Stat.uz]**

Years	Composition	China	Russia	Kazakhstan	Turkey	S. Korea	Total
2014	Foreign trade turnover	16,4	21,3	12,7	5,4	7,4	63,2
	Export	15,7	18,8	18,3	7,1	1,2	61,1
	Import	17,1	23,7	7,2	3,8	13,4	65,2
2015	Foreign trade turnover	19,0	17,9	10,8	4,8	7,0	59,5
	Export	19,8	14,5	14,8	6,3	1,4	56,8
	Import	18,2	21,2	6,8	3,3	12,6	62,1
2016	Foreign trade turnover	17,5	17,3	7,8	4,8	4,4	51,8
	Export	16,5	14,8	7,8	5,7	1,7	46,5
	Import	18,6	19,7	7,8	4,0	7,2	57,3
2017	Foreign trade turnover	17,9	17,8	7,7	5,8	5,2	54,4
	Export	16,1	16,1	8,4	7,0	1,1	48,7
	Import	19,5	19,3	7,1	4,8	8,9	59,6
2018	Foreign trade turnover	19,2	17,1	9,0	6,5	6,4	58,2
	Export	20,5	15,7	10,4	6,7	0,6	53,9
	Import	18,3	18,2	8,0	6,3	10,5	61,3
2019	Foreign trade turnover	18,1	15,7	8,0	6,0	6,5	54,3
	Export	14,1	13,9	8,0	6,7	0,5	43,2
	Import	21,0	17,0	8,0	5,4	11,0	62,4

## DISCUSSION

In a situation where globalization is intensely escalating, and the competition between major countries is deeply rooted in many areas, the unexpected relations of states to each other may bring severe difficulties to the world community, even to partner states [Gulyamova, G. P., 7]. As a result, one of the top priorities in this area should be to decrease the number of countries that are partners in international trade. It should be based not on reducing the absolute amount of trade with partners but rather on reducing the relative share of business with partners and developing trade with more countries. To do this, it is essential to periodically expand its geography to include new nations and foreign trade. It will reduce the risk of countries in terms

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of foreign trade partners and achieve its distribution. It is essential to extend the composition and geography of international trade to eliminate similar problems.

### **CONCLUSION**

- It is necessary to deepen trade and integration into the world market, diversify the export content externally, and expand geographically.
- The trade relations with only some of the more than 190 countries with whom diplomatic relations are established causes the development of the necessary economic relations with the rest of the nations.
- It is desirable to develop the composition, volume, and geography of exports by developing and implementing long-term programs in the direction of national economy potential and strength.
- In order to quench the leadership influence of countries in foreign trade and prevent some unexpected socio-economic problems, it is not necessary to reduce trade relations with the state, but to further expand the volume of general foreign trade and develop trade with other countries at the level of potential is a style of a rational approach.
- It is necessary to closely link production with the modernization and development processes of the innovative economy and make imports following local production's strategic direction.
- The economy's development dictates that all its branches and sectors, and territories operate in a holistic manner and harmony for a common goal. Therefore, it would be desirable that the sectors being modernized, at the same time create the basis for diversification of the export composition, increasing its size and deepening the integration of the national economy into the world market through the service of its geography
- At the same time, imports are also required to modernize the economy, increase the volume of exports, and focus on geography. Therefore, increasing the share of goods of technological nature in imported goods and modernize its production, diversifying the composition of exports, increasing the volume of exports, and expanding its geography will be the basis for effective results.

### **CONFLICT OF INTERESTS AND CONTRIBUTION OF AUTHORS**

The authors declare the absence of apparent and potential conflicts of interest related to this article's publication and report on each author's contribution.

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