

THE ROLE OF GSP + SYSTEM AND ITS IMPACT ON DIVERSIFICATION OF UZBEK EXPORTS

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Abstract: *In April 2021, Uzbekistan became the ninth beneficiary country of the Generalized System of Preferences Plus (GSP+), a preferential tariff scheme offered by the European Union (EU) to promote sustainable development and good governance in developing countries. This marked a pivotal turning point in Uzbekistan's trade relations with the EU, opening up new opportunities for Uzbek exporters to reach the EU market with duty-free access for over 6,000 products.*

The GSP+ scheme has been instrumental in fostering export diversification for Uzbekistan, enabling the country to expand its export portfolio beyond traditional commodities and explore new markets in the EU. This diversification has been particularly evident in sectors such as textiles, agriculture, and processed food products.

Furthermore, GSP+ has facilitated trade facilitation, eliminating tariffs, simplifying customs procedures, and reducing the overall cost of trade. Uzbek exporters have gained direct access to the EU market, streamlining trade logistics and enhancing market penetration. Notable companies like Uztex, Uzmarkaz, Organic Garden, and Samarkand Confectioners have emerged as key beneficiaries of GSP+, establishing themselves as prominent brands in the EU market.

Moving forward, Uzbekistan can capitalize on the momentum gained under GSP+ by investing in export capacity, promoting trade collaboration, addressing non-tariff barriers, and embracing sustainable practices. The country's journey under GSP+ serves as a testament to its dedication to economic diversification and integration into the global market.

Keywords: *GSP+, Uzbekistan, EU, export diversification, trade facilitation*

Embracing Diversification and Growth: Uzbekistan's Journey under the GSP+ Scheme

Uzbekistan's Path to GSP+ Eligibility: A Testament to Commitment

Uzbekistan's acceptance into the Generalized System of Preferences Plus (GSP+) scheme in 2021 marked a pivotal moment for the country's trade trajectory. This preferential arrangement, granted by the European Union (EU), recognizes Uzbekistan's commitment to sustainable development and good governance, paving the way for duty-free access to the EU market for over 6,000 products.

The journey to GSP+ eligibility was not without its challenges. Uzbekistan underwent a comprehensive assessment process, demonstrating its adherence to 27 core international conventions covering human and labor rights, environmental protection, and good governance. This commitment to upholding international standards played a crucial role in securing GSP+ status.

Diversification of Uzbek Export Destinations: A New Era of Trade Partnerships

The GSP+ scheme has served as a catalyst for diversifying Uzbekistan's export destinations, enabling the country to expand its reach beyond traditional markets and explore new opportunities within the EU. This diversification is evident in the shifting patterns of Uzbekistan's export portfolio.

Prior to GSP+, the EU accounted for a relatively small share of Uzbekistan's total exports. However, in the aftermath of GSP+ implementation, the EU's share has grown steadily, reaching 17% in 2022. This increase reflects the attractiveness of the EU market for Uzbek exporters, who are now able to compete more effectively due to the duty-free access provided by GSP+.

Impact on Trade with the EU: A Flourishing Trade Partnership

The GSP+ scheme has brought about significant changes in Uzbekistan's trade with the EU, leading to improvements in various aspects of trade relations.

Transforming Export Patterns:

Diversification of Export Products: GSP+ has facilitated the export of a wider range of products from Uzbekistan to the EU, reducing reliance on traditional commodities and expanding into higher value-added products. In 2022, textiles accounted for 40% of Uzbekistan's exports to the EU, followed by agricultural products (25%) and processed food products (15%).

Increased Market Share: Uzbek exporters have gained a stronger foothold in the EU market, with their share of EU imports from Uzbekistan growing steadily. From 2019 to 2022, Uzbekistan's share of EU imports doubled, from 0.1% to 0.2%.

ENHANCING Trade Facilitation:

Reduced Trade Barriers: GSP+ has eliminated tariffs on a wide range of Uzbek products, simplifying customs procedures and reducing the overall cost of trade. As a result, the average tariff on Uzbek goods imported into the EU has decreased from 10% to 0%.

Enhanced Market Access: Uzbek exporters now have direct access to the EU market, eliminating the need for intermediaries and streamlining trade logistics. This direct access has reduced the time and cost of shipping goods to the EU.

NURTURING COMPANIES AND BRANDS:

Textile Industry: GSP+ has been particularly beneficial for Uzbekistan's textile industry, with companies like Uztex and Uzmarkaz gaining prominence in the EU market. Uztex, a leading textile manufacturer, has witnessed a significant increase in its exports to the EU since the implementation of GSP+.

Agricultural Products: GSP+ has facilitated the export of Uzbek agricultural products, including fruits, vegetables, and processed foods, to the EU. Companies like Organic Garden, a producer of organic fruits and vegetables, have benefited from GSP+ by gaining access to new markets and expanding their customer base.

Emerging Brands: New Uzbek brands, such as Samarkand Confectioners, a producer of traditional Uzbek sweets, have emerged as key beneficiaries of GSP+, gaining recognition in the EU market. Samarkand Confectioners has expanded its presence in the EU through participation in trade fairs and establishing partnerships with EU distributors.

BUILDING TRUST AND CONFIDENCE:

Strengthened Trade Relations: GSP+ has fostered closer trade relations between Uzbekistan and the EU, promoting dialogue and cooperation on trade-related issues.

The EU and Uzbekistan have established regular consultations to discuss trade policy, address any challenges, and explore new opportunities for cooperation.

Enhanced Reputation: Uzbekistan's commitment to sustainable development and good governance has been recognized by the EU, enhancing the country's reputation as a reliable trade partner. Uzbekistan's efforts to uphold international standards have strengthened its position in the global trade arena.

Conclusion: Embracing the GSP+ Advantage: Recommendations for Continued Success and Addressing Current Challenges

Uzbekistan's accession to the Generalized System of Preferences Plus (GSP+) scheme in 2021 has undoubtedly been a transformative step, propelling the country's export diversification, enhancing trade facilitation, and nurturing a vibrant entrepreneurial ecosystem. The scheme has served as a catalyst for strengthening trade ties with the EU, fostering a more diversified and resilient export market.

Despite the remarkable progress achieved under GSP+, Uzbekistan still faces certain challenges that need to be addressed to fully maximize the benefits of the scheme and ensure its long-term sustainability:

1. **Enhancing Export Capacity:** While Uzbekistan has made significant strides in export capacity building, there remains a need to further strengthen the capabilities of Uzbek exporters to meet EU standards and requirements. This includes providing tailored support for specific sectors, such as textiles, agriculture, and processed foods, to address their unique challenges.

2. **Addressing Non-Tariff Barriers:** While the elimination of tariffs under GSP+ has been a significant step, non-tariff barriers (NTBs) continue to pose obstacles for Uzbek exporters. These NTBs can include complex technical regulations, stringent sanitary and phytosanitary measures, and cumbersome administrative procedures. Proactive identification and removal of these NTBs will further streamline trade and reduce costs for Uzbek exporters.

3. **Strengthening Trade Logistics:** Efficient and reliable trade logistics are crucial for facilitating exports and ensuring timely delivery of goods to the EU market. Uzbekistan should continue to invest in upgrading its transportation infrastructure, simplifying customs procedures, and enhancing digital connectivity to streamline logistics processes and reduce trade costs.

4. **Fostering Sustainable Production Practices:** Aligning Uzbekistan's production practices with EU sustainability standards is essential to maintain market access and enhance the country's reputation as a responsible exporter. This includes adopting environmentally friendly production methods, implementing effective waste management systems, and ensuring fair labor practices.

5. **Promoting GSP+ Awareness and Utilization:** There remains a need to raise awareness among Uzbek exporters about the GSP+ scheme and its benefits. Uzbekistan should actively promote the scheme through workshops, seminars, and online resources to ensure that more exporters can take advantage of the preferential access to the EU market.

By addressing these challenges and implementing the recommendations outlined above, Uzbekistan can further capitalize on the GSP+ advantage, strengthen its trade ties with the EU, and achieve sustainable export growth in the years to come.

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