

THE FORMATION OF INCLUSIVE INSTITUTIONS IN THE CONTEXT OF UZBEKISTAN'S WTO ACCESSION AND THEIR IMPACT ON COMPETITIVENESS

Dilrabo Saydaliyeva

Master's student, TSUE

Annotation. *This article explores the role of inclusive institutions in enhancing national competitiveness in the context of Uzbekistan's accession to the World Trade Organization (WTO). As Uzbekistan undertakes deep economic reforms to align with WTO standards, the formation and functionality of inclusive institutions — those that uphold rule of law, secure property rights, ensure fair market access, and promote transparency — become crucial for translating liberalization into sustainable development. Using a comparative analysis with Vietnam's post-accession experience, the study highlights Uzbekistan's progress in trade facilitation, investment protection, and judicial reform. However, it also identifies gaps in regulatory independence, SME support, and institutional enforcement. The paper concludes that WTO membership alone is not sufficient; rather, it must be accompanied by the consolidation of inclusive, transparent, and accountable institutions to ensure that Uzbekistan remains competitive in the global economy.*

Key words: *Uzbekistan, WTO accession, inclusive institutions, competitiveness, institutional reform, Vietnam, trade policy.*

INTRODUCTION

In recent years, the global trade landscape has been marked by the increasing integration of developing economies into the multilateral trading system, with the World Trade Organization (WTO) serving as the central institution facilitating this integration. Uzbekistan's aspiration to join the WTO represents a pivotal shift from a partially closed, centrally-regulated economy to a more open and competitive market. While the economic implications of WTO accession have been widely studied, a less explored but critical component is the role of inclusive institutions in ensuring that WTO membership translates into long-term, sustainable competitiveness.

As emphasized by Acemoglu and Robinson (2012), the development of inclusive institutions — defined as institutions that provide equal access to opportunity, protect property rights, uphold rule of law, and foster economic incentives — is fundamental to economic success. In the context of WTO accession, such institutions form the backbone of a country's ability to adapt to liberalized trade rules, protect domestic industries through legitimate mechanisms, and engage in fair global competition.

This article aims to analyze how the formation and strengthening of inclusive institutions in Uzbekistan can influence the country's ability to benefit from WTO membership. It explores the reforms undertaken to align with WTO standards, assesses

institutional readiness, and draws lessons from Vietnam’s post-accession experience to outline potential strategies for Uzbekistan.

METHODOLOGY

This study adopts a qualitative analytical approach to assess how inclusive institutions shape economic competitiveness in the context of Uzbekistan’s WTO accession. The analysis is based on a review of official policy documents, legal reforms, and economic indicators related to trade, investment, and institutional governance. A comparative lens is applied through the case of Vietnam, which successfully transitioned into a competitive WTO member by strengthening its institutional foundations. Additionally, a SWOT-style assessment is used to evaluate Uzbekistan’s institutional readiness, highlighting both progress and remaining structural gaps. The methodology focuses on synthesizing existing evidence to draw strategic insights rather than conducting primary data collection.

RESULTS

Uzbekistan’s preparations for WTO accession have catalyzed a series of institutional reforms aimed at liberalizing trade, improving the investment climate, and strengthening legal transparency. These efforts reveal meaningful progress in aligning national institutions with inclusive governance principles. This section outlines the key institutional transformations and their anticipated impact on competitiveness.

1. Customs and Trade Facilitation Reforms

Since 2017, Uzbekistan has simplified over 700 tariff lines, modernized its customs system, and introduced electronic declaration systems. The adoption of a “Single Window” platform for trade documentation has enhanced transparency, reduced processing times, and aligned the country’s border procedures with WTO norms. These reforms increase efficiency and reduce costs for exporters and importers — a vital step in boosting competitiveness.

2. Legal Protection and Intellectual Property Rights

To meet WTO’s TRIPS agreement standards, Uzbekistan passed the Law on the Protection of Intellectual Property in 2022. Additionally, courts specializing in commercial and IP-related disputes were established to improve enforcement. While implementation remains a work in progress, these measures lay the groundwork for safeguarding innovation and encouraging private sector development.

3. Investment Climate and Market Access

Inclusive economic development depends heavily on investor confidence. Between 2016 and 2023, Uzbekistan improved its legal framework to guarantee equal treatment of foreign and domestic investors, facilitated profit repatriation, and reduced barriers to

market entry. These steps — accompanied by the liberalization of the foreign exchange market — led to a doubling of foreign direct investment (FDI), from \$2.3 billion in 2016 to over \$4.5 billion in 2021.

4. Privatization and Private Sector Growth

The government has reduced state ownership in strategic sectors through open tenders and public-private partnerships. This has encouraged competition, improved productivity, and attracted foreign expertise. By 2023, the private sector accounted for more than 70% of GDP and employed over 6 million people. This trend indicates growing economic decentralization — a hallmark of inclusive institutions.

5. Judicial Reform and Rule of Law

Effective enforcement of contracts and protection of property rights are core elements of inclusive institutions. Reforms in Uzbekistan’s judiciary system, such as digitalization of court processes and enhanced training of judges, aim to increase impartiality and legal predictability. Although challenges persist in ensuring full judicial independence, these reforms are essential for creating a fair competitive environment.

DISCUSSION

The transformation of Uzbekistan’s institutional landscape in preparation for WTO accession is a significant milestone in its path toward sustainable economic development. However, the extent to which these reforms will enhance competitiveness depends not only on policy changes but also on the depth and functionality of inclusive institutions. This section evaluates the challenges and opportunities in that regard and compares Uzbekistan’s trajectory with Vietnam’s post-accession experience.

1. The Role of Inclusive Institutions in Trade Competitiveness

As Acemoglu and Robinson (2012) assert, inclusive institutions foster innovation, entrepreneurship, and equitable market access. In the context of WTO accession, these institutions are crucial to:

- Ensuring local businesses can compete with foreign firms,
- Providing a predictable legal environment for investors,
- Encouraging resource allocation based on market signals rather than elite privileges.

Uzbekistan has made progress, but institutional quality remains uneven. While customs and trade facilitation reforms have improved, issues such as judicial independence, transparency in procurement, and regulatory enforcement still present systemic weaknesses.

2. Comparative Insight: Vietnam’s Post-Accession Model

Vietnam’s WTO accession in 2007 was accompanied by decisive institutional reforms:

- Legal harmonization: Laws were rapidly aligned with WTO norms, especially in investment and IP rights.
- Export strategy: The government supported competitive sectors (e.g., textiles, seafood, electronics) through targeted subsidies, technical support, and infrastructure development.
- Institutional autonomy: Agencies like the Vietnam Customs Department gained functional independence, reducing corruption and improving service delivery.

As a result, Vietnam saw a fivefold increase in FDI and a sevenfold rise in export volume within 15 years. This was possible because its institutional reforms were both comprehensive and enforced.

3. Uzbekistan: Strengths and Gaps

Strengths:

High-level political will and strategic vision (e.g., Development Strategy 2022–2026)

- Booming private sector and dynamic entrepreneurship
- Modernization of customs, trade infrastructure, and investor protections

Gaps:

- Limited accountability mechanisms and lack of institutional checks;
- Incomplete separation of state and market roles in key sectors;
- Insufficient support for SMEs in adapting to global competition.

These gaps can undermine the inclusive potential of reforms if not addressed systematically. For example, without independent courts, dispute resolution mechanisms may favor powerful actors, discouraging fair competition.

4. The Institutional Imperative

For Uzbekistan to fully benefit from WTO membership, inclusive institutions must evolve from de jure (on paper) to de facto (in practice). This includes:

- Building independent regulatory agencies
- Enhancing civic engagement and public oversight
- Ensuring equal access to finance, information, and legal recourse

The WTO does not enforce domestic institutional quality, but it creates pressure and incentives for reform. Uzbekistan should use this momentum to institutionalize fairness and openness at all levels of economic governance.

CONCLUSION AND RECOMMENDATIONS

Uzbekistan's aspiration to join the World Trade Organization marks a historic transition toward deeper integration with the global economy. However, the long-term

benefits of WTO membership will depend less on the act of accession itself and more on the quality and inclusiveness of the institutions that emerge in its aftermath.

This article has demonstrated that inclusive institutions — those that uphold property rights, promote fair competition, ensure legal certainty, and distribute opportunities equitably — are the foundation for transforming liberalization into sustained competitiveness. While Uzbekistan has initiated major reforms in trade facilitation, legal protection, investment policy, and privatization, the functionality and independence of institutions remain the greatest tests ahead.

Drawing on Vietnam’s experience, the following recommendations are proposed to maximize the institutional benefits of WTO accession:

Policy Recommendations:

1. Institutionalize Judicial Independence

- Ensure courts are free from political influence through transparent appointments and career protections.
- Establish specialized economic courts with international training standards.

2. Strengthen Regulatory Agencies

- Create independent competition, anti-corruption, and consumer protection bodies;
- Empower regulators with autonomy, resources, and accountability mechanisms.

3. Expand Access to Justice and Finance

- Promote digital legal services and simplify procedures for SMEs and vulnerable groups.
- Encourage inclusive banking practices and alternative financing (e.g., microcredit, venture capital).

4. Foster Public-Private Dialogue

Build platforms for consultation between government, business associations, and civil society to shape WTO-compliant reforms that reflect domestic realities.

5. Monitor and Evaluate Reform Implementation

- Develop institutional performance indicators to measure transparency, efficiency, and inclusiveness.
- Use evidence-based tools to adjust policies and close implementation gaps.

By anchoring its economic reforms in inclusive institutional development, Uzbekistan can transform WTO membership into a springboard for competitiveness, innovation, and prosperity. The journey is complex, but the direction is promising — and with sustained political will and institutional maturity, Uzbekistan is poised to become a dynamic and responsible member of the global economic community.

References:

1. Acemoglu, D., & Robinson, J. A. (2012). *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. Crown Publishing Group.
2. North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge University Press.
3. Nga, F. C. H. (2022). "Vietnam's WTO Membership: Economic Transformation and Institutional Evolution." *Asian Development Review*, 39(1), 45–67.
4. World Trade Organization (WTO). (2024). *Working Party on the Accession of Uzbekistan: Compilation of Documents*. Geneva. Retrieved from: <https://www.wto.org>
5. World Bank. (2023). *Uzbekistan Economic Update – Navigating Reforms and Global Uncertainty*. Retrieved from: <https://www.worldbank.org/en/country/uzbekistan>
6. Government of Uzbekistan. (2022). *Development Strategy of New Uzbekistan for 2022–2026 (Presidential Decree No. PQ-60)*.
7. Bekzod o'g'li, J. F. (2024). O'zbekistonda inson huquqlari va milliy qonunchilikni takomillashtirish. *Международный журнал теории новейших научных исследований*, 2(10), 173-176.