

INTER-REGIONAL AND INTRA-REGIONAL TRADE IN CENTRAL ASIA**Quziyeva Gulnoza Rashidovna**

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The geographical position of the countries of Central Asia, which do not have maritime borders, is the main obstacle to maritime trade and access to major world markets. Moreover, geographical conditions within Central Asia itself, such as natural borders in the form of difficult mountain ranges, as well as political, cultural, historical contradictions in relations and weak institutions, create additional obstacles that turn into trade costs both between countries within the region and in trade with the outside world. Given these circumstances, the formation of an economic policy that will promote regional cooperation and trade seems to be a rather difficult task. However, the potential benefits of using internal trade routes and being close to huge markets such as the EU, China, Russia and India far outweigh the natural and institutional costs. On average, intra-regional trade in Central Asia accounts for less than five percent of total trade, and under existing trade models, the potential value of trade in it could be doubled (Lord, 2015). One of the main reasons for this geographically unbalanced foreign trade of the Central Asian states is the predominance of mineral resources. The export of raw materials, especially hydrocarbons, has helped the countries of Central Asia grow rapidly, overcome certain economic problems such as extreme poverty, and implement large infrastructure projects despite geographic, geopolitical and institutional shortcomings, and in some cases (Turkmenistan), in the absence of real market reforms (Batsaikhan and Dabrowski 2017).

According to the results of January-June 2022, the volume of Uzbekistan's foreign trade with Central Asian countries increased by **15.1%** and reached **\$3.4 billion**, which is **13.9%** of the total volume of foreign trade. The volume of trade turnover of Uzbekistan with **Central Asian countries at the end of January-June 2022**: The foreign trade turnover with **Kazakhstan** accounted for \$2.1 billion, exports - \$624.7 million, imports - \$1.5 billion.

The foreign trade turnover with **Kyrgyzstan** was \$589.2 million, exports - \$483.0 million, imports - \$106.2 million. The foreign trade turnover with **Turkmenistan** amounted to \$418.2 million, exports - \$91.8 million, imports - \$326.4 million. The foreign trade turnover with **Tajikistan** totaled \$289.7 million, exports - \$211.0 million, imports - \$78.7 million. The largest share in Uzbekistan's trade turnover with Central Asian countries is accounted for by Kazakhstan – **62%**, the rest: Kyrgyzstan – **17%**, Tajikistan – **12%** and Turkmenistan - **9%**.

The issue of export diversification is of great concern to the Central Asian states, since the high concentration of exports in general makes the economy vulnerable to market prices for exported goods. Thus, the decline in prices for oil and other mineral products in the second half of 2014 had an extremely negative impact on the economies of the Central Asian countries. As a result, the currencies of all countries depreciated sharply, inflation worsened,

fiscal balances and the balance of payments became sharply negative, and economic growth slowed down significantly (Dabrovsky, 2016). Various studies have been carried out to identify the reasons for the sectoral concentration of Central Asian exports. Raballand, et al. (2005) explain the evolution of Central Asian countries' foreign trade with large consumer markets in Europe and Asia. High transport costs and savings on bulk rail transportation have shaped the region's export structure, favoring the growth of relatively low value-added exports. Small and medium-sized enterprises incur higher trade costs when trading across borders in sectors such as agriculture, light industry, wholesale and retail trade, and tourism. High trade costs, weak competitiveness and productivity in these labour-intensive sectors stifle employment and limit opportunities that will benefit poor countries and regions (UNDP, 2014). Improved road transport and rail freight forwarding services can contribute to product diversification (Raballand, et al., 2005). However, one of the problems is also the fact that some countries in the region, such as Turkmenistan and Uzbekistan, are still largely closed to intra-regional trade, which hinders the transit trade of neighboring countries. Closed borders, lack of energy and water cooperation, and weak governance create barriers to intra-regional and extra-regional integration (Linn, 2012). It is not easy to implement structural changes in any economy, especially when it comes to diversifying the productive structure of the economy or foreign trade. However, in dealing with these problems, the countries of Central Asia faced additional costs associated with the inefficiency of state institutions. Such negative characteristics as government dirigisme, corrupt favoritism, which are a consequence of the communist past, still persist in all countries of Central Asia.

Consequently, the development of mutual trade within the region corresponds to the goals of the economic policy of the Central Asian states. More intensive cooperation and trade between the countries of the region is no less beneficial for their economies than trade cooperation with other countries. It is also worth noting that there are natural converging factors such as geography, history, culture, etc. that contribute to regional economic cooperation in Central Asia. The geography of the region actually facilitates trade and may lead in the future to some kind of formal regional preferential trade agreement. (White, 2010). In general, our proposals are consistent with those of Batsaikhan and Dabrowski (2017), i.e. product diversification should be accompanied by geographic trade diversification, underpinned by liberal trade policies and full current account convertibility.

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