

ESTIMATING AND FORECASTING TRENDS OF GLOBAL EXPORT AND IMPORT OF GOODS IN INTERNATIONAL MARKETS

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Abstract: *The article describes estimating and forecasting trends in the global markets with the help of modern software, including variables like hi-tech exports, devaluation rate of the currency, GDP per employed and so on. Also, factors impacting to reduce international trade costs have been assessed and modelled in the dissertation, taking into consideration the role of new digital tools. Furthermore, current international trade structure of Uzbekistan have been analyzed and proposals and recommendations to improve the export potential of the country have been provided.*

Keywords: *global export import; international market; foreign trade; trade structure; export growth; import trends; uzbekistan*

Introduction

International trade has occurred since the earliest civilizations began trading, but in recent years international trade has become increasingly important with a larger share of GDP devoted to exports and imports. Especially, studying global trends of export and import is crucial for developing countries. The proper estimation and forecast of these trends play an important role in the development of the countries.

In the conditions of globalization, foreign relations, especially trade plays an important role in the development of the national economy in the economy. Uzbekistan is also becoming one of the key participants in the region. According to the Presidential Decree on December 20, 2018 “About measures to strengthen the assistance and promotion of export” the problems in increasing the export potential of the economy are clearly stated: “...the ongoing monitoring of the effectiveness of measures taken shows that, despite the overall positive dynamics of foreign trade and export, the rates of its actual growth do not correspond to the pace of modernization of the economy.

A significant increase in export volumes, primarily in industries with competitive advantages, is hampered by the presence of a number of systemic problems and drawbacks. In particular, the existing production capacities and advantages associated with the presence of a wide range of raw materials as well as labor resources and ensuring the production of high value-added products competitive in foreign markets are not used in full [1].

Literature Review

In the thesis previous studies related to international trade and factors affecting economic relations between countries have been reviewed, such as David Hume’s first economic model, David Ricardo’s model so called Ricardian model and others. In the first

chapter of the dissertation, the works of Eli Heckscher and Bertil Ohlin, M. Ayhan Kose, Christian Broda, Daniel Treffer, A. B. Bernard, J. B. Jensen, P. K. Schott and others have been reviewed [7]. Especially, a special attention has been paid to the literature by Paul Krugman (Nobel prize winner in 2008 for his proposal of New Trade Theory) [3]. Furthermore, both national and international legislative acts have been considered to estimate the impact of policies by government officials [6].

Furthermore, the researches of F. Furuoka on export diversification, stability of export-growth causality; S. Md Reza’s studies on improving export potential of Bangladesh ; A dynamic model to estimate an optimal amount of tariffs by N. Nawaz ; R. Sawagado’s studies on the role of insurance development on international trade ; Hans-Michael Trautwein’s work related to the different effects of international trade [4].

Research methodology

Different methodologies were used during research such as panel data, ARIMA, correlation-regression analysis and other qualitative and quantitative econometric methods that best suit to estimate and forecast the export import trends both in the global and national levels.

Analysis and results

Recent years, several systematic and prospective reforms are being implemented in order to liberalize the national economy, including the foreign economic activities. Particularly, policies supporting the manufacture of export-oriented and import-substituting goods, elimination of trade barriers and obstacles are actively carried out by the government.

The Presidential Decree on “Measures in creating of favorable environment to further development of electronics industry and improvement of investment and export capacity of the field” № 4348 has been adopted to create extra facilities for the business in the field [4]. Also, Export supporting agency under the Ministry of investments and foreign trade has been founded which aims implementing market analysis, studying the current trends in the global markets as well as assisting local firms to export their goods [2].

Reforms in the field of liberalizing economy, more opening the economy for the global markets have resulted in the significant increase in both export and import of the republic (Figures 1 and 2).

In the last five years, the import structure of the Republic of Uzbekistan mainly consisted of machinery and equipment (42,7%) and the shares of other spheres ranged from 4,5% to 13,28% in 2018. 8,3 billion USD import of machinery and equipment is highly because of the large investment projects directed to build new manufacturing plants and renovating the existing ones. In the middle term period this will increase the import substituting and export oriented goods.

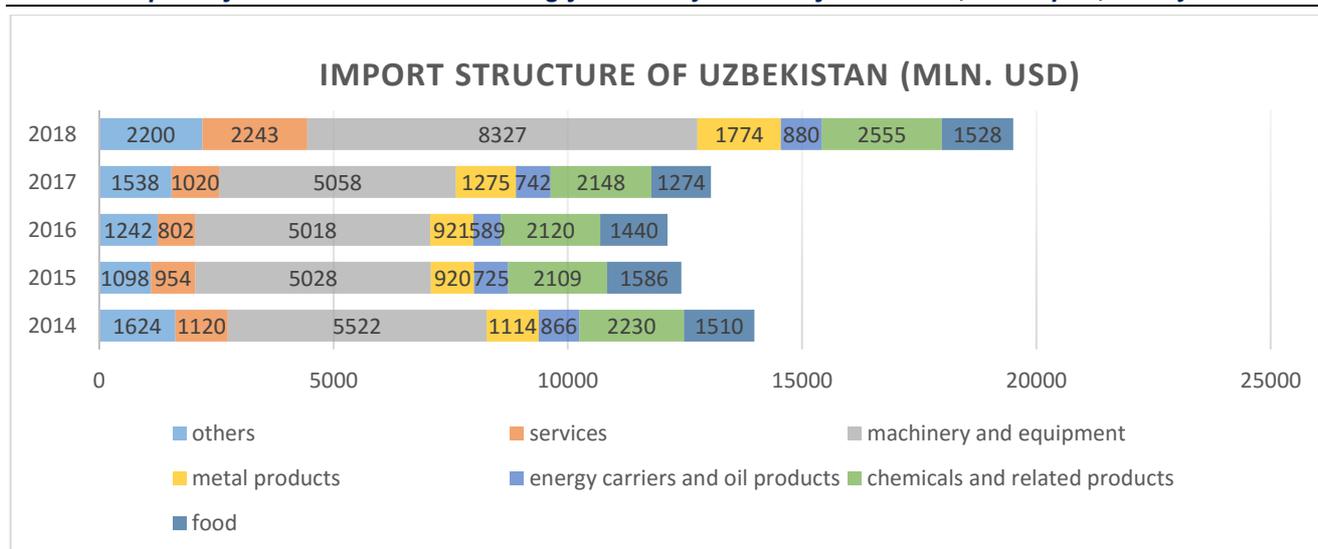


Figure 1. Import structure of the Republic of Uzbekistan (2014-2018)

(The figure has been built by the author according to the data from the Ministry of investments and foreign trade of Uzbekistan)

Source: <https://mift.uz/en/pages/statistika-tovarooborota>

The amount of imported energy carriers and oil products varied a lot during the observed period, the reason is that the prices of those goods had an oscillated trend. As the national economy is more integrating with the world and more investment is flowing to the country, the share of imported services have doubled from 2014 to 2018 (from 1,1 billion USD to 2,2 billion USD).

Regarding the export structure of Uzbekistan, there was a sharp decrease in the total amount from 2014 to 2016 (14,1 billion USD to 12,1 billion USD). Main export products of Uzbekistan have been services (about 3 billion USD), energy carriers and oil products (2,6 billion USD) and others (about 4,9 billion USD) in 2018. The outstanding point is that the amount of cotton fiber has declined by 5 times in the observed period (from 1 billion USD to 222 million USD). The reason for this trend is that the government is more focusing on manufacturing ready goods instead of exporting raw materials. This can be seen in the increasing share of other products.

The export structure varied a lot in the given period because of the fluctuating prices of raw materials in the global markets. For example, in 2014 the amount of exported food was 3,6 billion USD and constituted about 25% of the total export. In 2015 this number was decreased by 1 billion USD due to falling prices for fruits and vegetables, inconvenient weather conditions as well as some export quotas imposed by the government. Machinery and equipment export was very little during the period (219 million USD in 2018). The rest of export was consisted of metal products, chemicals and related products, services and others.

The analysis of the foreign trade data in the first quarter of 2019 shows that the total exports of the Republic amounted to 5.2 billion dollars and increased by 14.3%, formed a negative balance of \$ 2.1 million.

Export growth was ensured due to growth in export volumes (carbamide - by 21.9%, ammonium nitrate - by 24.3%, fertilizers - by 8.7%, fruits and vegetables - by 14.8%, natural gas - by 17, 8%, electric power - by 94.6%, rolled ferrous metals - by 16.3%, cathode copper - by 2.7 times, rolled wire rod - by 90.4%, raw zinc - by 3.4 times).

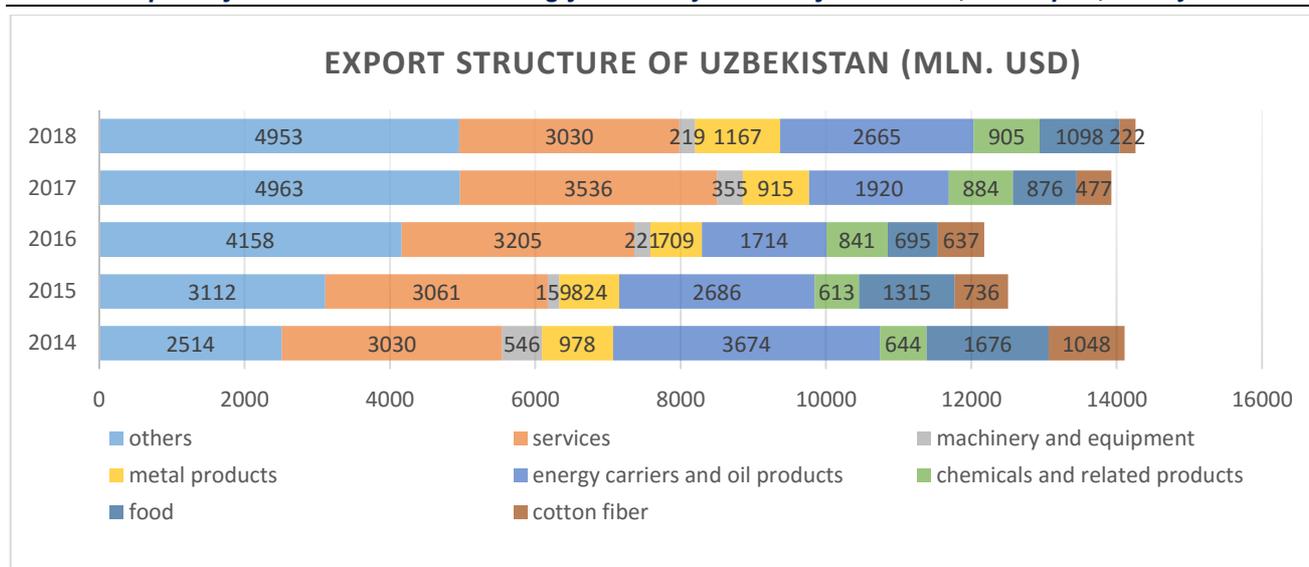


Figure 2. Export structure of the Republic of Uzbekistan (2014-2018)

(The figure has been built by the author according to the data from the Ministry of investments and foreign trade of Uzbekistan)

Source: <https://mift.uz/en/pages/statistika-tovarooborota>

The increase in exports was also facilitated by the involvement in export activities of 289 new enterprises, which carried out exports by 55.8 million dollars, including 55 industry enterprises (13.4 million dollars) and 234 territorial (42.4 million dollars).

Mastered the export of about 100 new types of goods in the amount of 8.5 million dollars, for certain commodity items, the output of domestic products to 44 new foreign markets (5.4 million dollars) was ensured.

Enterprises of the republic, including subjects of the SMEs took part in 33 international exhibitions and fairs abroad, during which export contracts were signed for the supply of textile, pharmaceutical, fruit and vegetable and food products for a total amount of 77 million dollars.

In order to reduce the transport costs, discounts in the amount of from 30 to 40% on transit by rail of foreign trade cargo of the republic through the territories of Turkmenistan, Iran, Azerbaijan, Georgia, Russia, Kazakhstan, Latvia, Lithuania were received due to trade agreements.

1079 foreign trade houses of enterprises of the republic have been opened and are operating. Implementation of the export forecast for January-April this year. provided at the level of \$ 3,966.4 million or 117.3% of the forecast and grew by 31.0% to the fact of the same period of 2018. (3,028.3 million dollars.).

The ways and prospects of improving foreign trade structure of Uzbekistan

By studying foreign experience in terms of improving foreign trade balance and export potential of the country, the following suggestions can be given in the case of Uzbekistan:

1. Creation of duty drawback schemes. Among the traditional measures, the duty drawback scheme is, as surveys of entrepreneurs' opinions suggest, one measure that has proven to be successful in the past. Standard duty drawback schemes can be improved by: (a) making them accessible also to indirect exporters and extending them to imported inputs used in production of exported final products; (b) eliminating duty pre-payment for exporting

firms in order to reduce credit requirements.

2. Increasing the availability of credit. The availability of short and (especially) long-term credit is crucial to exporters. This is decisive for small and medium enterprises (SMEs), for which the credit constraints are more binding than for large firms. Since SMEs make up the large majority of firms in developing countries, improvements in this domain are necessary to favor export growth.

3. Simplifying regulation. The government should simplify regulation related to exports; long bureaucracy procedures negatively affect especially new exporters. At the same time, governments should improve information collection and dissemination about foreign markets and requirements for exporting. Actions in this category should also consider product standards and other technical requirements imposed for exporting to developed country markets.

4. Improving cooperation among economic actors. Besides traditional policy instruments, export growth could be favored by improving cooperation among exporters and between the government and business actors. For instance, there is nowadays increasing awareness about the possibility of using export consortia to help SMEs access the international markets. This may be seen as a complement to other forms of government intervention.

5. Combining short-term and long-term export growth policies. The stimulation of export growth requires the combination of short- and long-term policies. In this context, it is important to also exploit the complementarity between EPPs and other domestic policies (aimed, for instance, at enhancing productivity and technological content of domestic products).

Strategic collaboration between different levels of government (sub-national and national level, for instance) and the private sector is widely considered a key element for policy success.

Indeed, a pre-condition for successful export promoting policies is the domestic government ability, including policy design, implementation, enforcement and monitoring. It follows that the policy mix suggested for a given country must be tailored on the basis of capabilities available to national government, sub-national government and the domestic agencies. In the extreme case, this argument could lead to very practical criteria for policy design, suggesting the (second) best policy mix relying on considerations about the most efficient (least corrupted) governmental institutions. Adopting such criteria could minimize resource waste and reduce the danger of fostering powerful domestic interest groups and rent-seeking activities.

The careful analysis of the specificities of the local economic and institutional environment suggests not to borrow policy strategies from other countries simply because they have been successful there. Indeed, the same policy (or policy mix) implemented in two different countries may yield completely different outcomes. In particular, the country specific institutional environment is crucial for policy results.

Institutional and policy complementarities are important. Domestic policies may affect export performance either directly, through the set of policy instruments with direct influence on foreign trade, or indirectly, through the set of policy measures that have their direct influence on other aspects of the economic systems (for instance, monetary and fiscal

policies, production and price controls, investment policies, exchange rate policies) and, in turn, stimulate foreign trade performance. All these policy measures cannot be considered in isolation; not only does the choice of policy matter, but also the economic and institutional context and policy mix within which it is implemented.

Successful export promotion policies have clearly defined priorities, goals, and objectives. In particular, they:

- enhance the domestic enabling environment for potential exporters (in terms of infrastructures, regulation, access to finance, insurance, fiscal policies);
- foster the strategic cooperation between private and public actors and among domestic producers, exporters, and policymakers;
- improve the productivity and technological content of domestic goods, and provide incentives to nurturing innovation;
- facilitate the access to credit,
- serve to build the country image in foreign markets (through marketing, information provision, advocacy);
- offer targeted and tailored assistance, and rely on continuous evaluation;
- are supported by monetary and fiscal policies designed to improve the enabling environment; and
- stimulate institutional development, also considering institutional complementarities.

Conclusions and suggestions

International trade between different countries is an important factor in raising living standards, providing employment and enabling consumers to enjoy a greater variety of goods.

International trade has occurred since the earliest civilizations began trading, but in recent years international trade has become increasingly important with a larger share of GDP devoted to exports and imports. Especially, studying global trends of export and import is crucial for developing countries. The proper estimation and forecast of these trends play an important role in the development of the countries.

Countries engage in international trade for two basic reasons, each of which contributes to their gains from trade.

First, countries trade because they are different from each other. Nations, like individuals, can benefit from their differences by reaching an arrangement in which each does the things it does relatively well.

Second, countries trade to achieve economies of scale in production. That is, if each country produces only a limited range of goods, it can produce each of these goods at a larger scale and hence more efficiently than if it tried to produce everything.

In the real world, patterns of international trade reflect the interaction of both these motives. As a first step toward understanding the causes and effects of trade, however, it is useful to look at simplified models in which only one of these motives is present.

Studies show how differences between countries give rise to trade between them and why this trade is mutually beneficial. The essential concept in this analysis is that of comparative advantage [5].

As a result of digitalization, the trade pattern and habits are changing. International trade costs declined by 15 per cent between 1996 and 2014. New technologies will help to further

reduce trade costs. Our projections predict that trade could grow yearly by 1.8 to 2 percentage points more until 2030 as a result of the falling trade costs, amounting to a cumulated growth of 31 to 34 percentage points over 15 years.

The wide adoption of digital technologies changes the composition of trade in services and goods, and redefines intellectual property rights in trade. Trade in information technology products has tripled in the past two decades, reaching US\$ 1.6 trillion in 2016. The importance of services in the composition of trade is expected to increase. According to the forecasts the share of services trade to grow from 21 per cent to 25 per cent by 2030. Digitalization has led to a decline in trade of digitizable goods (e.g. CDs, books and newspapers) from 2.7 per cent of total goods trade in 2000 to 0.8 per cent in 2016. The trend is likely to continue with the advent of 3D printing technology. Regulation of intellectual property rights, data flows, and privacy as well as the quality of digital infrastructure are likely to emerge as new sources of comparative advantage.

The decline in trade costs can be especially beneficial for MSMEs and firms from developing countries, if appropriate complementary policies are put in place, and challenges related to technology diffusion and regulation are addressed. Our estimations foresee that, in such case, developing countries' share in global trade could grow from 46 per cent in 2015 to 57 per cent by 2030. Digital technologies give rise to opportunities and challenges that may require the consideration of governments and the international community in areas as diverse as investment in digital infrastructure and human capital, trade policy measures and regulation.

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By studying foreign experience in terms of improving foreign trade balance and export potential of the country, the following suggestions can be given in the case of Uzbekistan: creation of duty drawback schemes, increasing the availability of credit, simplifying regulation, improving cooperation among economic actors, combining short-term and long-term export growth policies, diversification of exports of fruits and vegetables, increasing agricultural land devoted to fruit and vegetable crops, moving to market based approaches in the system of procurement, improvement of the institutional environment, supporting voluntary association of farmers, exploitation of new innovative tools, increasing R&D expenditures on at least 1% of GDP, uniting textile industry enterprises under the “Made in Uzbekistan” brand and others.

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