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WHY THE WTO MATTERS FOR UZBEKISTAN?

Dear Rector Sodyq Safoev,

Members of the faculty, staff, the student body, and the rest of the university community,

Ladies and Gentlemen,

1. I want to thank you so much for this immense honor. Every time I receive an honorary degree, it is special. This one has particular significance to me because of the way the story of the University of World Economy and Diplomacy connects to that of modern Uzbekistan - and to the World Trade Organization.
2. Uzbekistan has an ancient history, but it is a young country, having regained independence in 1991. This university, founded barely a year after that, has

- been at the center of Uzbekistan's efforts to make a place for itself in a changing international order – and in the global economy.
3. One such effort was the decision in 1994 to apply for membership in the WTO. After a fifteen-year suspension, the government reinvigorated this process starting in 2020.
 4. I have had the privilege to witness Uzbekistan's reforms and institution-building in person over the years. As Managing Director of the World Bank, my portfolio of responsibilities at that time included Central Asia, and I did visit here in that capacity in 2010.
 5. Whether in trade policy or other facets of international relations, states need trained personnel to pursue their interests. This university works to ensure that Uzbekistan can count on having people with expertise in the international economy, international relations, and international law.
 6. And I can assure you that the University's footprint is visible, even to an outsider like me.
 7. Since I arrived here in Tashkent I have been accompanied by Uzbekistan's wonderful and dynamic chief negotiator in its WTO accession process, Mr. Azizbek Urunov – a graduate of this university.
 8. Since taking on his role, Mr Urunov has worked hard to accelerate progress towards a successful conclusion. Just last week he was in Geneva with the Deputy Prime Minister and other top officials for a meeting of the Working Party on Uzbekistan's accession.
 9. I am told that Mr. Urunov is one of the many graduates of this University working to support Uzbekistan's WTO accession. I also understand that the Assistant to the President, ***Ms. Saida Mirziyoyeva***, is another alumna of this university. And the University is privileged to have such a distinguished personality as the Rector and to have the WTO Chairs Programme in this very University. We are very proud to have this program here and we are looking forward to supporting the Chair in moving forward with some of the new ideas that are coming forward for further expansion of your knowledge and research in the area of the WTO. I do want to mention something in our discussion yesterday that the Rector said, which I found very interesting, and

I think it would be good for his students to hear this. I like the fact that you said, Rector, that trade is not just about the exchange of goods and services. It is also about the exchange of ideas and values. And behind the WTO is that sense of purpose, of values, of being about people and working for people. And that is what, to us, is critically important.

10. My remarks today will center on why the World Trade Organization matters in an era of geopolitical tension and protectionist pressures, why the world needs a strong and effective WTO, and why it is important for countries like Uzbekistan and the other 21 countries in the accession queue to join the WTO.
11. I will also look at how the WTO can work with Uzbekistan and other Central Asian countries to look at the challenges they are currently grappling with, fostering greater socioeconomic inclusion, creating jobs and growing the economy, and of course grappling with issues of climate change.
12. Let me start with some basics about the WTO.
13. Our 164 – soon to be 166 – members account for over 98% of global trade and global GDP.
 - a. For Uzbekistan, which during the heyday of the Silk Road was at the heart of the movement of goods, ideas, and people across the Eurasian landmass, WTO accession would represent a homecoming: a return to the global economic mainstream.
14. The WTO's fundamental role is to make world trade open, fair, stable, and predictable – and to ground global trade relations in rules rather than power.
15. WTO members negotiate and gain access to each other's markets under predictable rules. Each WTO member commits to keeping its tariffs on different products below certain ceiling levels, and to apply import duties at the same rate to all WTO members. This helps reduce uncertainty and therefore also costs around trade policy.
16. The reach of these rules is substantial. The value of global trade in 2023 was \$30.4 trillion – just over \$24 trillion of trade in goods, and the balance was in services - in a roughly hundred-trillion-dollar global economy. Despite the proliferation of bilateral and regional agreements – and the recent growth in unilateral trade measures - over 75% of global goods trade continues to be conducted based on the "most-favored nation" tariff terms that governments

extend to all WTO members.

17. WTO rules on health and safety standards and technical regulations – the Agreements on Sanitary and Phytosanitary Measures and Technical Barriers to Trade - help protect consumers while ensuring that such requirements are not misused to frustrate import competition.
18. Additional WTO rules like the Trade Facilitation Agreement decrease border red tape and costs, making life easier for importers and exporters. This is particularly important for landlocked – and doubly landlocked – nations since goods need to transit through other countries to get in or to come from, world markets.

What membership means in practice is that Uzbek exporters would get access to foreign markets on predictable tariff terms, in this region and around the world. The confidence that market access would not be suddenly closed off would allow them to invest and hire to scale up production for export.

19. Uzbek importers would be able to source products and intermediate inputs from wherever they find the best quality for the best price, without unexpected tariff increases. Households and businesses would benefit from WTO accession.
20. We have been working at the WTO to level the competitive playing field for cotton production and trade by trying to reduce subsidies and other distortions – although to be frank as I said at the door to some of the faculty members, we have not made enough progress here and I am impatient for progress as this is a very important area. As a WTO member, Uzbekistan, a major cotton producer, would become an important new voice in these debates around reducing distortions and subsidies on cotton production.
21. Like all countries that have sought to join the WTO since its creation in its current institutional form thirty years ago, the accession process Uzbekistan is going through is demanding.
 - a. Applicants are required to make significant structural reforms, from reducing tariffs and non-tariff barriers to phasing out exportsubsidies,

altering how state-owned enterprises operate, publishing trade-related decrees, and establishing independent tribunals to review administrative action. In short, reforms that open up the economy to more trade and more competition can lead to greater efficiency and lower costs.

- b. To take an example from last week's Working Party meeting in Geneva, WTO Members commended Uzbekistan for its technical work and reform efforts – and also made requests for comprehensive reforms, including on subsidies and taxation, as well as on technical regulations and minimum import prices.

- 22. Reforms like these can be politically difficult since powerful domestic constituencies are often at the sharp end of these changes. This is why it is commendable that H.E. President of the Republic of Uzbekistan published just a few days the important decree on measures for further acceleration of market reforms thereby clearing away many of the hurdles on the way to WTO accession. I would like to thank DPM Khodajev, Chief Negotiator Urunov, and the entire team, for their hard work in paving the way for this very important decree. I got the decree just as I was stepping up on the plane in Almaty and, when I read it, I thought this was a good welcome present.
- 23. Analysis suggests that accession – and the reforms that go with it – pay substantial economic dividends. WTO economists have found that members that went through the post-1995 accession process – and the demanding reform commitments that came with it – registered significantly higher post-membership growth rates, and saw much more capital investment, than members that acceded in the decade and a half before 1995. They estimate that economies acceding to the WTO grew 1.5 percentage points faster than they would have without undertaking the reforms and commitments associated with accession. "1.5 percentage points faster", that's highly significant.
- 24. Analysis shows that the demanding accession process so contributes to significant improvements in the business environment. Countries that joined the WTO between 2004 and 2014 saw major progress in areas such as starting a business, getting credit, and trading across borders. Substantial

improvements to business regulations reduced the costs of doing business, making it easier for local businesses to thrive whilst helping to level the playing field for all economic actors, including small and medium-sized enterprises. Participation in global value chains has also tended to accelerate in the years after accession.

25. Anecdotes from recently-acceded members point to how tough commitments can pay off.
26. I just came from Kazakhstan and officials from Kazakhstan suggest that the services market access commitments they undertook as part of their WTO accession went hand in hand with their investment promotion policies to attract increased foreign direct investment into non-extractive sectors of the economy. This contributed to driving both job creation and economic diversification after Kazakhstan became a WTO member in late 2015. Foreign direct investment in Kazakhstan's ICT sector increased at an annual average rate of close to 18% between 2017 and 2023, contributing to a marked reduction in telecommunications prices and an increase in digital access. One estimate suggests that Kazakhstan has the second-lowest average price for broadband in the world.
27. During Lao PDR's accession process – this is another landlocked WTO member, though much further away from here than Kazakhstan – Lao PDR simplified and automated its border clearance procedures while making them more transparent through an online portal. The changes contributed to substantial decreases in time to import and export, thus making trade faster and easier.
28. I want to make the case to you this morning that, as important as growth is, the need for a strong and effective WTO goes beyond the potential to boost economic output.
29. The rules-based trading system has been an important factor in the resilience shown by global trade through the crises of recent years. Merchandise and especially services trade are well above pre-pandemic levels, and together close to all-time highs. Without this resilience, people's economic distress – and political anger – would have been even worse.
30. And looking forward, think of some of the biggest challenges the world

confronts: curbing climate change, pandemic preparedness and response, fostering social inclusion, and securing access to food and other necessities in an increasingly shock-prone world. For all of these, trade is part of the solution.

31. Consider trade and the climate crisis.

- a. Scale economies and competitive pressures associated with cross-border supply chains have helped drive down the cost of green energy. Trade is necessary to move low-carbon tech to all countries that need it.
- b. The ability to import lower-cost wind and solar technology will help Uzbekistan as it pursues the target to increase the share of renewables in the country's power mix to 25% by 2030.
- c. This is where things get exciting. The International Energy Agency says that Uzbekistan has, and I quote, "considerable renewable energy potential," much of it in solar. This opens the door to producing green hydrogen – and the government and USAID are cooperating on a Hub to build workforce expertise to that end. Abundant clean energy and fuel opens the door to leveraging 'green comparative advantage' to build export industries, in sectors such as critical minerals, that are good for the economy and the environment.

32. I will return to this shortly, but first I want to underscore that trade has also helped us cope with other crises in recent years. COVID-19 vaccines were manufactured in supply chains cutting across as many as 19 countries. Moving food across borders from where it was abundant to where it was needed has helped countries cope with extreme weather.

33. All of these current and potential future gains are in danger because of protectionist pressures, geopolitical strains, and tensions arising over subsidies, carbon pricing, and other policies.

34. International cooperation can help manage these tensions and harness the full potential of trade to respond to the challenges we face. The WTO, as the global trade body, is a critical arena for fostering collective action - and for making it possible for members to seize the opportunities contained within these challenges. That's why Uzbekistan and other countries should have a seat at the table.

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35. The prospect of helping WTO members use trade to improve people's lives and livelihoods was what motivated me to seek the job of Director-General. If this is not the mental image you had of the WTO, please think again: the preamble to our founding agreements states that the purpose of the WTO is to use trade to raise living standards, create jobs, and promote sustainable development – or to put it differently, as I said earlier, to use trade to help people and the planet.
36. I'm proud to say that over the past two years, WTO members have shown that they can respond to crises and provide global public goods. The agreement on curbing harmful fisheries subsidies reached at our 12th Ministerial Conference in June 2022 will help ease the pressure of overfishing on marine stocks. The decision to exempt the World Food Programme's humanitarian purchases from export restrictions has made it easier for the WFP to get food to some of the world's most vulnerable people.
37. But there is a great deal more to do – and the way forward offers exciting opportunities for Uzbekistan and other countries in Central Asia.
38. One legacy of both the COVID-19 pandemic and the war in Ukraine has been the realization that there are genuine weaknesses in the way international supply chains are organized. Some have argued that countries should respond by trying to make everything at home, grow everything at home, or among a narrow circle of friends. This is called re-shoring, friend shoring, or nearshoring.
39. But the fact is that disruptions we saw had less to do with trade *per se* than with excessive concentration for a handful of products and supply relationships. Putting all your eggs in one basket makes them more vulnerable to a shock – even if that basket is in your home.
40. At the WTO we have been arguing that the smart response to the problems we have seen is not 'de-globalization', it is 're-globalization' and I want you to retain this word: 're-globalization'. Re-globalization is deepening, diversifying, and deconcentrating supply networks to bring in places and people currently on the margins of the global division of labor. Places that were on the margin of the first wave of globalization, including Central

Asia. So, I want all the students here to take this word away. We need not to de-globalize the world, but to re-globalize it.

41. Re-globalization would kill many birds with one stone: fewer supply bottlenecks, greater resilience to shocks, and importantly, greater growth and job creation in countries that have thus far not shared enough in the benefits of global trade.
42. Re-globalization is already happening as companies seek to lower costs and manage risks by adding suppliers in additional countries.
43. Uzbekistan can benefit from re-globalization if its transport networks are strengthened such that it becomes a land-linked rather than a land-locked country. The increasing investment and political support for the Middle Corridor – the network of road, rail, and sea routes connecting China to European markets through Central Asia, the Caspian Sea, the Caucasus, and Türkiye – is a positive step in this regard. In the wake of the conflict in Ukraine and the Middle East, many countries and companies are seeking to diversify trade routes, creating opportunities in the region. Trade along the corridor grew nearly ten-fold in the space of three years, from 350,000 tons in 2020 to 3.2 million tons in 2022, according to the Trans-Caspian International Transport Route Association. Interest in other Trans-Caspian corridors is also growing, with a proposed route, as you all know, from China through the Kyrgyz Republic and Uzbekistan.
44. While Uzbekistan is adjacent to rather than directly part of the Middle Corridor, a significant share of its goods trade flows through this. This gives Uzbekistan a significant stake in increased efficiency along the Middle Corridor, as well as in its links to it. In a report that came out in April, the World Bank pointed to three-day wait times at the Kazakhstan- Uzbekistan border and called for a new railway connection between the two countries.
45. The Bank estimates that with increased investment and efficiency measures, travel times along the Middle Corridor can be halved – and trade flows tripled – by 2030. For this to happen, hard infrastructure needs to be combined with what we might call "trade policy connectivity" – including making border crossings and procedures along the corridor as seamless as possible. The WTO Trade Facilitation Agreement provides a framework for fostering such connectivity and can be leveraged to harmonize customs and

transit procedures using international best practices. Our TFA Facility can help governments identify implementation needs and find partners to implement trade facilitation reforms that would reduce border delays and costs along the corridor.

46. The Uzbek economy has been performing strongly – with projected GDP growth of above 5% for the next three years, compared to global and regional averages of close to 3%. This is commendable but I am sure there is no room for complacency. Maintaining a strong macroeconomic framework will be key to continued strong economic performance. Lowering trade costs would help boost this even further by paving the way for Uzbekistan to tap into international market opportunities.
47. Uzbekistan can benefit from the growing international demand for critical minerals important for green and digital transitions, such as copper, tungsten, and gold, etc. Last month, Uzbekistan signed a strategic partnership MoU with the EU on critical raw materials, and it is being courted by the USA and the UK. As I alluded to earlier, with its potential for renewable energy and green hydrogen, Uzbekistan is well-positioned to develop critical minerals value chains, from mining and processing through to finished products – and to power these energy-intensive activities in a clean and environmentally sustainable fashion.
48. We at the WTO have been pushing for increased diversification and de-concentration of critical mineral supply chains as part of our re-globalization advocacy. And I know that Uzbekistan is looking forward to the manufacture of finished products, perhaps in cooperation with other Central Asian countries.
49. Before closing, I want to highlight another kind of connectivity to international markets – one for which being landlocked doesn't matter. You might have guessed what I'm referring to digital connectivity. Trade in digitally delivered services is the fastest-growing segment of global trade – it has quadrupled in value since 2005 to reach \$4.25 trillion last year. Trade in services delivered via computer networks - everything from streaming video to computer services provided remotely - has become a major driver of trade, growth, and job opportunities.

50. Uzbekistan's domestic tech sector is growing – e-commerce, fintech, and food delivery company Uzum reportedly became the country's first 'unicorn' earlier this year – and international markets could help drive further growth. We already know this is possible. Uzbekistan's exports of digitally delivered surged from \$345 million in 2021 to \$1.66 billion in 2022. While this was mostly about Russian programmers, and exports fell back to \$903 million, almost a billion, in 2023, it shows that Uzbekistan is an available base from which to export services via computer networks. This sector can be developed using the trained engineers and high-quality human resources you have here.
51. Tech-fueled growth would be appropriate for the home region of the 9th-century mathematician al-Khwarizmi, whose name gave rise to an English word at the core of the digital transformation: algorithm.
52. Excellencies and gentlemen, let me now conclude.
53. Trade alone cannot solve the problems of our troubled world, but it can contribute to solutions. The WTO continues to play a valuable role in keeping global markets open – and in providing a forum for governments to work across geopolitical differences to manage tensions, and, where possible, find ways forward. The exciting part of the story is that even the many challenges facing global trade today contain opportunities – including opportunities I've outlined for Uzbekistan and its neighbors in the region. Successfully concluding its accession would help Uzbekistan in its efforts to seize those opportunities for growth, development, and job creation. So let's work together to get Uzbekistan's membership to the finish line.
54. As an honorary alumna of this university now, I am already looking forward to my next visit to this campus. Perhaps by then Uzbekistan will have become the 167th member of the WTO!