

Export potential of Uzbek products on the EU market

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Berlin/Tashkent, October 2020

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1. Motivation

- Uzbekistan's exports to EU are very low, only around 1% of total goods exports in 2019
- EU as well as Uzbekistan are interested to intensify trade relations
- No systematic analysis so far for export potential of Uzbek products on EU market

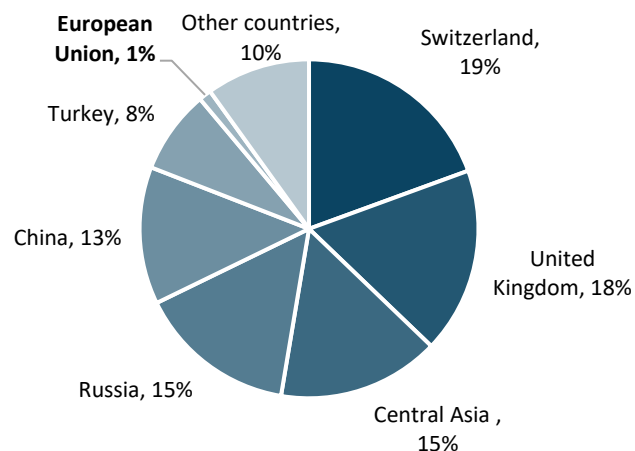
Aim of this Policy Briefing:

- To find out whether there is a potential to increase Uzbek exports to EU.
Method: systematic trade-based assessment
- Identify Uzbek products with the highest export potential
- For the future: create a basis to identify trade barriers and possible support measures for products with the highest export potential

Disclaimer: *This study is based on the analysis of trade data. The verification of exports potential for individual products needs to be done through consultations with experts and stakeholders*

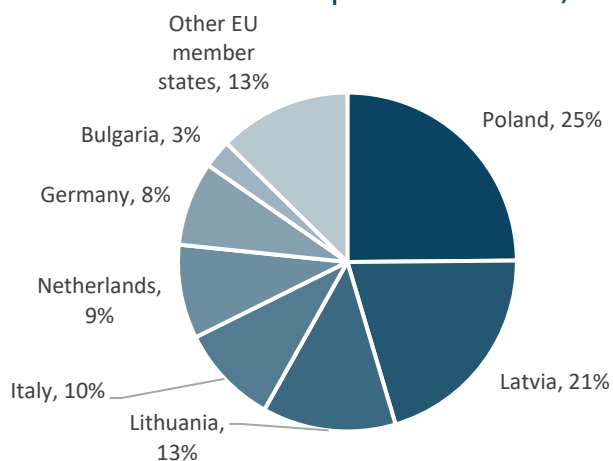
2. UZ exports of goods to the EU

Geography of Uzbekistan's exports, 2019



Source: WITS, ITC Trade Map, own estimates; EU does not include the United Kingdom; exports without re-exports and unspecified exports

Uzbekistan's exports to the EU, 2019



Source: WITS; exports without re-exports and unspecified exports

UZB exports of goods to the EU, 2019:

- Value: USD 160 m
- Share in total exports: 1% (*the lowest share in Central Asia, see Annex 3*)
- **Small role of EU as export destination**

Key export destinations within EU, 2019:

- Poland: USD 40 m
- Latvia: USD 33 m
- Lithuania: USD 20 m
- **Exports focus on Eastern Europe, therefore rather traditional markets**
- **Other large EU markets like Germany almost not targeted so far**

UZB exports to the EU by products

HS Product Code	HS 2012 Product Description	UZB exp to EU, USD m, 2019	Share in UZB exports to EU, %	Share of EU in UZB total exports, %
5205	Cotton yarn	19.9	12%	2%
3901	Polymers of ethylene	18.1	11%	5%
5208	Woven fabrics of cotton	13.1	8%	21%
8102	Molybdenum and articles thereof	11.4	7%	90%
0806	Grapes, fresh or dried	10.1	6%	5%
5201	Cotton, not carded or combed	6.0	4%	2%
0703	Onions, shallots, garlic	5.9	4%	8%
7403	Refined copper and copper alloys	5.6	4%	1%
6109	T-shirts, singlets and other vests	4.5	3%	4%
7604	Aluminium bars, rods and profiles	4.2	3%	32%
	Other products	60.9	38%	1%
	Total	159.7	100%	1%

Source: WITS, ITC Trade Map, own estimates; EU does not include the United Kingdom; exports without re-exports and unspecified exports

- Key export products: textiles, chemicals, non-ferrous metals, fruits and vegetables
- For most of these products the EU plays only a minor role as export market

Question: For which products exports to EU could be increased?

3. Methodology for export potential assessment

- Export potential assessment is based on the modified International Trade Centre (ITC) methodology
- Four dimensions of export potential assessment (see Annex 2 for details):
 1. Supply side: export performance of UZB products in the world
 2. Demand side: import performance of the EU in the world
 3. Trade interaction: scoring of UZB export products based on their potential competitiveness and current presence on the partner market
 4. Trade barriers: scoring of products based on trade regime including through forthcoming introduction of EU GSP+
- To be included in the ranking, products have to meet price feasibility criterium
 - Price of EU import of a product should be between 2 and 4 times the export price of UZB
 - The lower bound ensures a sufficient margin to cover logistic and other costs. The upper bound is aimed to reduce risk of the selection of non-comparable products

Example: Is there a potential to increase UZB melon exports to EU?

1. Supply side

- UZB exports a significant amount of melons to world (+)
- UZB exports of melons are growing (+)
- UZB exports more melons than it imports, thus it is competitive on world market (+)

3. Trade interaction

- UZB has a high export share of melons in total exports compared to EU, thus it is more competitive than EU (+)
- UZB melon exports “undertraded”: UZB exports relatively less melons to EU than to world (+)
- EU melon imports “undertraded”: EU imports relatively less melons from UZB than from world (+)

2. Demand side

- The EU is importing large amounts of melons (+)
- EU imports of melons are growing (+)

4. Trade barriers

- Due to GSP+ a zero duty is applied (+)

- All indicators are show a potential to increase melon exports to EU
- Price feasibility is met: EU import price is 2 to 4 times higher than UZB export price
- **High potential to increase melon exports to EU**

Steps to identify products with the highest export potential

Identification of top-20 products with the highest export potential:

- Step 1: Estimation of “compound indicator” for all products based on average of normalised scores of 4 dimensions
- Step 2: Elimination of products not meeting the feasibility criterium
- Step 3: Building of top-20 ranking with highest potential on EU market
- Step 4: Check plausibility of products by available open source market information, correct the list if needed
- Step 5: Form the final list of top-20 products

4. UZB export potential for the EU market (1/2)

No	HS Code	Product Description	Compound score*	UZB total exports, USD m, 2019	Share EU in UZB total exports, %	EU total import, USD m, 2018
1	7214	Other bars and rods of iron	79	90	0%	6,363
2	1302	Vegetable saps and extracts; pectic substances	76	26	0%	2,194
3	0807	Melons, watermelons	75	13	8%	2,077
4	6111	Babies' garments and clothing accessories	73	20	2%	2,936
5	0806	Grapes, fresh or dried	72	224	5%	3,520
6	7604	Aluminum bars, rods, profiles	69	13	32%	8,167
7	8544	Insulated wires, cables	67	34	0%	42,807
8	3904	Polymers of vinyl chloride	67	1	0%	6,347
9	2926	Nitrile-function compounds	67	2	0%	1,558
10	5205	Cotton yarn, containing $\geq 85\%$ by weight of cotton	66	920	2%	1,433

Source: own estimates; *Export Potential Compound Indicator is measured as an average of normalized scores of 4 dimensions
Maximum score of Compound Indicator is equal to 100

UZB export potential for the EU market (2/2)

No	HS Code	Product Description	Compound score	UZ total exports, USD m, 2019	Share EU in UZ total exports, %	EU total import, USD m, 2018
11	2001	Vegetables, fruits, prepared or preserved by vinegar	66	1	0%	900
12	0802	Other nuts, fresh or dried	66	61	3%	7,019
13	3923	Articles for the conveyance or packaging	65	2	1%	20,839
14	2008	Fruit, nuts and other edible parts, prepared or preserved	65	10	0%	5,407
15	0702	Tomatoes, fresh or chilled	65	70	0%	4,151
16	7412	Copper tube or pipe fittings	63	2	7%	2,223
17	6211	Track suits, ski suits, swimwear	63	1	5%	3,618
18	0710	Vegetables, frozen	62	2	0%	3,033
19	7616	Other articles of aluminium	62	2	0%	6,483
20	2007	Jams, fruit jellies, marmalades	61	2	0%	1,395

Source: own estimates

5. Conclusion

- Using a systematic trade-based approach, we find many products with high export potential for the EU market
- Among top-20 products with the highest **export potential for EU**:
 - Fruits and vegetables (e.g. vegetable saps and extracts, melons, grapes, nuts, tomatoes)
 - Metals (e.g. bars of iron, aluminium, copper)
 - Textile and apparel (e.g. babies' garments, cotton yarn)

Next steps

- Verification of list through consultations with experts and stakeholders
- Analysis of trade barriers and development of recommendations how exports of these products to EU could be increased

About the German Economic Team



The German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Georgia and Uzbekistan regarding the design of economic policy reform processes and a sustainable development of the economic framework. As part of the project we also work in other countries on selected topics.

In a continuous dialogue with high-level decision makers of the project countries, we identify current problems in economic policy and then provide concrete policy recommendations based on independent analysis.

In addition, GET supports German institutions in the political, administrative and business sectors with its know-how and detailed knowledge of the region's economies.

The German Economic Team is financed by the Federal Ministry of Economics and Energy. The consulting firm Berlin Economics has been commissioned with the implementation of the project.

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Annex 1.1: UZB exports to Germany by products

HS Product Code	HS 2012 Product Description	UZ exp to DEU, USD m, 2019	Share in UZ exports to DEU, %	Share of DEU in UZ total exports, %
0806	Grapes, fresh or dried	1.7	13%	1%
0712	Dried vegetables	1.7	13%	12%
0904	Pepper of the genus Piper	1.7	13%	2%
0802	Other nuts, fresh or dried	1.0	8%	2%
5205	Cotton yarn	1.0	8%	0%
1211	Plants and parts of plants	1.0	8%	19%
6109	T-shirts, singlets and other vests	0.7	6%	1%
6203	Men's or boys' suits, ensembles	0.6	5%	4%
3404	Artificial waxes and prepared waxes	0.4	3%	6%
7503	Nickel waste and scrap	0.3	3%	34%
	Other products	2.6	20%	0%
	Total	12.8	100%	0.1%

Source: WITS, ITC Trade Map, own estimates; exports without re-exports and unspecified exports

- Key products: apparel, fruits and vegetables
- Germany is not a primary destination for UZB products

Annex 1.2: UZB export potential assessment for Germany (1/2)

No	HS Code	Product Description	Compound score	UZ total exports, USD m, 2019	Share DEU in UZ total exports, %	DEU total import, USD m, 2018
1	6211	Track suits, ski suits, swimwear	74	1	5%	653
2	1302	Vegetable saps and extracts	72	26	0%	535
3	6111	Babies' garments and clothing accessories	72	20	0%	475
4	0802	Other nuts, fresh or dried	72	61	2%	2,120
5	6006	Other knitted/crocheted fabrics	71	59	0%	160
6	0807	Melons, including watermelons	70	13	2%	452
7	2001	Vegetables, fruit; prepared or preserved by vinegar	69	1	0%	232
8	6004	Knitted or crocheted fabrics of a width > 30 cm, cont. by weight ≥ 5% of elastomeric yarn or rubber thread	69	15	0%	106
9	0806	Grapes, fresh or dried.	67	224	1%	839
10	0712	Dried vegetables, whole, cut, sliced	64	15	12%	229

Source: own estimates

Annex 1.2: UZB export potential assessment for Germany (2/2)

No	HS Code	Product Description	Compound score	UZ total exports, USD m, 2019	Share DEU in UZ total exports, %	DEU total import, USD m, 2018
11	0702	Tomatoes, fresh or chilled	63	70	0%	1,409
12	2008	Fruit, nuts and other edible parts, prepared or preserved	59	10	0%	1,300
13	7412	Copper tube or pipe fittings	58	2	0%	469
14	0707	Cucumbers, fresh or chilled	58	13	0%	598
15	3404	Artificial waxes and prepared waxes	56	7	6%	175
16	0804	Dates, figs etc., fresh or dried	56	0.3	0%	806
17	2007	Jams, fruit jellies, marmalades	56	2	0%	294
18	2926	Nitrile-function compounds	55	2	0%	251
19	5509	Yarn (other than sewing thread) of synthetic staple fibres	54	2	0%	198
20	1207	Other oil seeds and oleaginous fruits	54	3	0%	233

Source: own estimates

Annex 2.1: Supply side dimension

- *Total export value*: the larger the total exports of the country, the greater its potential for the expansion
- *Total export growth (in value)*: the faster the export growth, the better it is for export potential
- *World market share*: it is an indicator of the competitiveness of the product. While the total export value is biased towards large industries, the world market share could show the potential of smaller industries
- *Revealed comparative advantage (RCA)*: the RCA is traditionally used to evaluate competitiveness of exporters
- *Relative trade balance (exporter)*: it shows the efficiency of the productive capacity. It is assumed that the country that exports less than its imports is unlikely to have a strong export potential in the product

Annex 2.2: Demand side dimension

- *Total value of imports*: it shows the potential size of the market
- *Import growth (in value)*: the higher growth of imports signals about the demand expansion and thus could produce more opportunities for the exporter compared to a stagnant, or declining market.

Annex 2.3: Trade interaction dimension

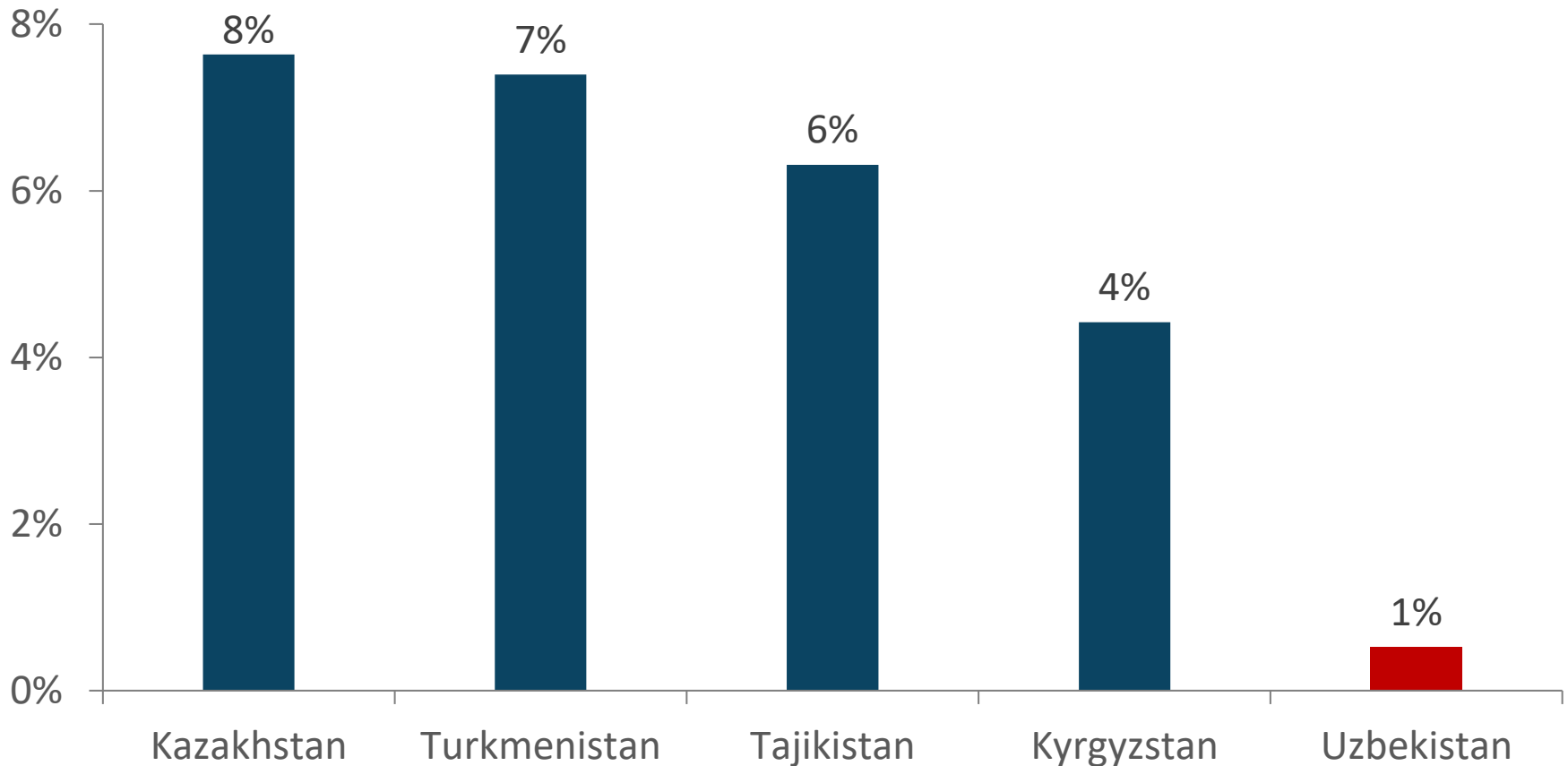
- *Relative revealed comparative advantage (RCA)*: relative RCA shows whether the exporter is more competitive in a particular product than the importer, and thus whether it has stronger export potential
- *Relative unit value (UV ratio)*: it shows whether the exporter can supply to the importing market cheaper than its competitors. We set a threshold at $2 < UV \text{ ratio} < 4$. The lower bound is aimed to ensure that UZB exporters have sufficient margin to cover logistic and other costs. The upper bound is aimed to reduce risk of the selection of non-comparable products
- *Ratio of the share of exports to a specific country over the share in total exports*: the ratio shows whether the country overtrades or undertrades in a particular product with a specific country compared to its aggregate exports. The smaller the ratio, the higher potential exists
- *Ratio of the share of imports from a particular exporter (here: Uzbekistan) over the share in total imports*: the ratio shows whether the country overtrades or undertrades in a particular product with a specific country compared to its aggregate imports. The smaller the ratio, the higher potential exists

Annex 2.4: Trade barriers dimension

- *Import duty*: it shows what products can enter the partner market at the lower duties and thus have a higher competitive advantage compared to other products. The zero import duty is ranked the best. We used the forthcoming EU GSP+ duties for Uzbekistan here
- *Change in import duties*: it shows what products increase their competitive advantage on the partner market thanks to the change in trade regime. The larger the difference in import duties applied before and after the change, the higher obtained export potential is. We used the EU duties currently applied towards the Uzbek products and forthcoming EU GSP+ duties here

Annex 3: EU-27 as export destination for Central Asia

Share of EU-27 in total exports of goods, 2019
Excluding mineral fuels (HS 27) and precious metals (HS 71)



Source: WITS, ITC Trade Map, own estimates; for KAZ, KYR, UZN – exports excluding re-exports; for TJK – exports; for TKM – mirror data