



## PROTECTIONISM AS A MEANS OF PROTECTING NATIONAL PRODUCERS: OPPORTUNITIES AND RISKS

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**Abstract:** This article analyzes the impact of protectionism policies on the national economy. The study examines the results of protectionist measures in the case of Uzbekistan, the United States, and China, as well as global protectionism trends based on data from the World Trade Organization (WTO). While protectionism offers opportunities to support national producers, create jobs, and diversify industries, it can also lead to problems such as price increases, technological backwardness, and the risk of international trade wars in the long term. Uzbekistan's experience shows that balancing protectionism and free market principles is important. Based on the results of the study, proposals are put forward to introduce targeted protectionist measures, stimulate innovation, and expand international cooperation.

**Keywords:** protectionism, national economy, customs policy, international trade, production, investment, innovation, foreign trade, competitiveness, economic development.

### Introduction

Entrepreneurship plays an important role in the economic development of any country. Entrepreneurship allows you to create new jobs, implement innovative ideas, and increase the well-being of the population. In Uzbekistan, entrepreneurship is also recognized as a leading sector of the economy. Our country is pursuing a consistent policy to support the activities of business entities and create favorable conditions for them. At the same time, some problems remain in the field of entrepreneurship in Uzbekistan. In particular, factors such as the lack of financial resources and modern technologies of small businesses and private entrepreneurs, the lack of highly qualified personnel, are hindering the further rapid development of entrepreneurship. In such conditions, improving the mechanisms of state support for business entities and increasing their efficiency are of urgent importance.

We know from world experience that protectionist policy plays an important role in ensuring the sustainable development of the national economy. Protectionism is a policy of government use of tariffs, quotas, subsidies, and other regulatory measures to protect domestic producers from competition (Krugman & Obstfeld, 2020). This policy serves to increase the ability of domestic companies to compete with foreign competitors. However, the effectiveness and long-term impact of protectionism is controversial, and it can have different effects on different aspects of the economy. This article analyzes the opportunities and risks of protectionism for domestic producers. In particular, the changes that occur in the national economy as a result of protectionist measures, industry support strategies, and the impact of integration with the international market are examined in detail.

Scientific and theoretical foundations The main goal of protectionism is to maintain competition in the domestic market by supporting domestic producers, developing strategic industries, and creating jobs. However, this policy also has some negative consequences, as

restrictions on imported products can lead to increased prices, reduced product choice, and slowed technological development (Rodrick, 2018).

The economic nature of protectionism has been a subject of debate among economists since the 19th century. While Adam Smith and David Ricardo advocated free trade, Friedrich List advocated protectionist measures as a means of developing national industries (List, 1841). Modern research shows that protectionism can create jobs in the short term, but is likely to reduce economic efficiency in the long term (Rodrick, 2018).

**Methodology.** This article uses comparative and statistical methods to study the impact of protectionist policies on national producers. The results of protectionist measures are analyzed in the case of Uzbekistan, the United States, and China. Global protectionist trends are also studied based on data from the World Trade Organization (WTO).

**Results and Analysis.** The customs service plays an important role in ensuring the sustainable development of the economy of the Republic of Uzbekistan, regulating foreign trade by the state, encouraging domestic producers and creating a favorable business environment for them. Proper implementation of customs policy in foreign economic activity will support foreign economic entities, encourage enterprises producing import-substituting goods, create a favorable investment environment, increase the competitiveness of export goods in world markets, ensure the effective integration of our country's economy into the world economic system, and also provide an opportunity to enrich the state budget revenue and ensure economic security.

- o Encourage local producers: Protectionist measures can increase the competitiveness of local enterprises (Baldwin & Evenett, 2019).

- o Create jobs: If the manufacturing sector is supported by the state, new jobs can be created.

- o Industrial diversification: Protectionism in developing countries serves the development of new industries (Chang, 2002).

One of the important documents aimed at supporting local producers and increasing their economic activity in the Republic of Uzbekistan is the Resolution of the President of the Republic of Uzbekistan No. PQ-4812 dated August 21, 2020 "On additional measures to support local producers". Based on this resolution, the state is taking systematic measures to create preferential conditions for local producers, expand their participation in public procurement, and reduce dependence on imports. The correct and systematic implementation of this resolution will serve to develop the domestic market and increase export potential in the Uzbek economy.

As one of the protectionist measures, our country has introduced customs tariffs on imported products. This, in particular, serves to develop production capacities within the country and increase the competitiveness of local products. In particular: High customs duties have been introduced in important strategic sectors, as well as high duty rates on imports of finished products, creating relatively favorable conditions for raw materials and semi-finished products. In this regard, significant changes were observed in the country's customs system in 2023-2024.

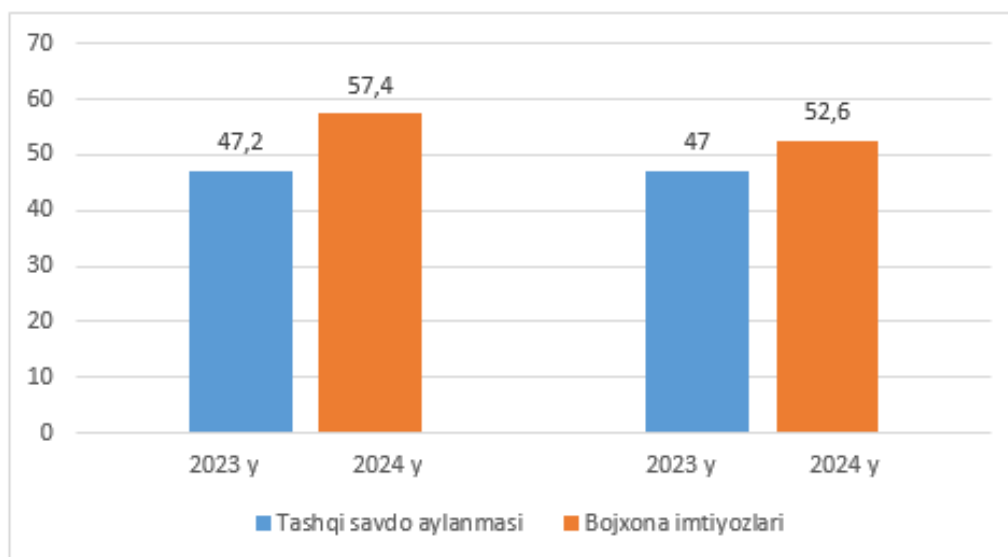


Figure 4.1 Foreign trade and customs privileges and preferences of the Republic of Uzbekistan in 2023-2024

Source: <https://www.bojxona.uz> Data from the website of the Customs Committee under the Ministry of Economy and Finance of the Republic of Uzbekistan.

In 2023, foreign trade turnover amounted to \$47.2 billion, an increase of 21% or \$8.3 billion compared to 2022. Also, the number of motor vehicles and railway wagons increased by 15%, and the number of passengers increased by 1.6 times. As a result of the digitalization of the customs system, 90% of exports and 80% of imports were processed in a simplified manner. At the same time, more than 17 thousand TIF participants were provided with customs benefits worth 57.4 trillion soums and allowed to defer customs payments worth 8.3 trillion soums.

By 2024, foreign trade turnover amounted to \$47 billion, which is a decrease of \$287 million compared to 2023. At the same time, exports reached \$11.7 billion, an increase of \$1.3 billion, while imports fell to \$35.2 billion, a decrease of \$1.5 billion. In order to support entrepreneurs, about 17 thousand TIF participants were granted customs privileges worth 52.6 trillion soums, which is 4.8 trillion soums less than last year. Also, 7 trillion soums were allowed to be paid on a deferred basis, and the state budget received 63.1 trillion soums in revenue.

These indicators indicate that Uzbekistan is the result of its efforts to stimulate exports, expand the production of import-substituting products and optimize the customs system within the framework of its protectionist policy. Digitalization processes have made the customs system more transparent and helped speed up operations, and the reduction in privileges is evidence of the strengthening of customs fiscal policy. This direction of the state customs policy is expected to serve to ensure the sustainable development of the national economy.

From the experience of foreign countries, we can see that restricting imports is not always effective in eliminating the negative balance of foreign trade. That is, protectionism policy can be applied partially, but not fully. If we do not apply this policy partially, the following risks may arise:

- Price increase: As a result of import restrictions, product prices in the domestic market may increase;

- Technological backwardness: Protectionist measures can limit competition and slow down innovation;

- The risk of trade wars: The increase in protectionism in the global economy may provoke countermeasures from other countries.

**Conclusion and Recommendations.** The article considered important aspects of protectionism policy for national producers. Analysis of the case of Uzbekistan shows that state-imposed tariff preferences are contributing to development in some sectors, but balancing protectionism and free market principles is important to ensure long-term efficiency. Therefore, the following proposals are put forward:

1. Targeted protectionist measures: Temporary protectionism should be introduced to increase competitiveness.

2. Stimulating innovation: Attention should be paid to technological modernization for the development of national industry.

3. Expanding international cooperation: Strengthening integration with global markets will mitigate the negative consequences of protectionist policies.

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