Referee report on Ulugbek Olimov and Nishanbay Sirajiddinov: «The Effects of the Real Exchange Rate Volatility and Misalignments on Foreign Trade Flows in Uzbekistan»

Recommendation: can be published with some revisions

This paper has two objectives: the first one is to estimate the equilibrium real exchange rate in Uzbekistan and to compare the actual exchange rate with it. The resulting misalignment is then interpreted in line with the developments of the exchange rate policy; the second one is to estimate the impact of exchange rate policy (overvaluation-misalignment, exchange rate volatility) on trade. It is an interesting paper, and I suggest the following adjustments to improve the current version:

I thing that sections introduction to related literature are poorly written. Introduction is too long and it is not focused enough on what is the value added of the paper, it should be shortened, section 2 (the brief overview of exchange rate policy in Uzbekistan) should be used in the comments on the findings in sections 4 and 5 (it is already, and the authors repeat twice the same things).

The review of the literature is quite exhaustive but it is like a catalogue of empirical papers enumerated in a somehow borrowing manner. Maybe it would make sense to get rid of it?

Section 4 constitutes the core of the paper. It is well done, alleviating the technical points (the discussion about ARCH and GARCH and all the tests), putting them at the end of the paper in an appendix, could improve the paper. The authors could interpret the results in light of the developments of the exchange rate policy, which implies again getting rid of section 2.

The last section is about the effect of exchange rate volatility, misalignment on trade, plus trade elasticities with respect to prices: it makes a lot of things together, too much food! So add more comments, put it in perspective with the literature, what is the specificity, if any of the Uzbek case?

Last: page 19, the sentence starting with "Figure 4-b shows that … in section??": what section?