



**UZBEKISTAN: TRANSITION DIFFICULTIES AND STRATEGY ECONOMIC LIBERALIZATION**

**Mukhammedov Murod Muhammedovich  
Doctor of Economic Sciences, Professor  
Samarkand Institute economy and service**

**ANNOTATION.**THE article discusses topical issues of Uzbekistan's integration into the world economic system after gaining its independence, reveals the specifics, difficulties and tasks of development of Uzbekistan's foreign economic activity, proves the necessity and ways of its liberalization in modern conditions.

**KEY WORDS.** foreign economic activity, integration, globalization, world economic system, liberalization of economy, foreign trade turnover, export, import, World Trade Organization.

**INTRODUCTION**

The turbulent processes of globalization, intensifying the internationalization of production, expand the horizons of cooperation, drawing into their orbit practically all nations and countries, uniting all national economies into an integral single system. Without denying the individual contradictions and negative consequences that the turbulent process of globalization as a whole carries (like, for example, exacerbating economic inequality between countries and peoples, between different strata in society and others), it should be noted that it (globalization) is – objective phenomenon. In the conditions of transformation of the world economy and globalization, many problems that cannot be solved alone, many countries are forced to consolidate, constantly develop their economies, improve the efficiency of using available resources in order to take a worthy place in the hierarchy of the international division of labor and become more competitive in the external market. Otherwise, it is not difficult to be thrown out of the socio-economic progress and take a place among the countries with a backward economy.

In this regard, Uzbekistan is no exception. The need for the active involvement of Uzbekistan in the system of the world economic community is primarily due to the increasing role of integration processes in achieving sustainable long-term economic growth, which is so important for the republic, and the growing dependence of its national economy on the state and development of the



world economy. The developing and expanding domestic and foreign markets of the republic have no choice but to actively integrate into the world economy.

### **RESEARCH BACKGROUND**

Taking into account the development trends of the world economy and the current socio-economic situation of Uzbekistan, it can be stated that the further development and future of its economy is inextricably linked with the pace of the country's integration into the global economic system. For the realities of today are such that Uzbekistan, like all other countries, cannot effectively solve the complex problems of economic growth alone, that is, without wide participation in the international division of labor, the active development of commodity exchange operations and investment activities with the rest of the world. He, as a young sovereign state, needs deep integration into the global economic system with active participation in international institutions and organizations.

However, the integration of Uzbekistan into the global economic system is fraught with certain difficulties. These difficulties have been partially overcome in the past years of independent development, and some of them remain to this day, creating serious barriers to the more active involvement of Uzbekistan in the world economic system. All these difficulties can be summarized as follows:

First, the difficulties of transition. The Republic of Uzbekistan, proclaiming its independence and sovereignty in 1991, carried out simultaneously two transitions. First of all, he experienced the difficult processes of transition from a backward peripheral economic region to the Soviet time to a strong independent state as a full subject of international economic relations. On the other hand, having chosen the path of economic reforms and market transformations, he has (and still continues to carry out) the transition from a command economy to a market economy. It is clear that such a double transition cannot happen smoothly, without economic upheavals and crises, without significant material and spiritual damage to the overwhelming majority of the country's population. The transition period led to the instability of economic growth, a noticeable reduction in total and per capita GDP in the republic. By the end of 2001, after 10 years, overcoming a long economic crisis, it managed to reach the 1991 level only in terms of total GDP, and for average per capita GDP, it took several more years of time and effort to reach the 1991 level.

Secondly, the novelty of the situation, the absence of established trade and economic ties with many countries of the world until Uzbekistan gained its independence. Having a thousand-year history, the richest experience of economic and cultural development, a huge production potential, Uzbekistan, after the collapse of the Soviet empire, in its just over a quarter-century history takes the first steps



as an independent state. By the time he gained his independence, a well-functioning system of effective economic relations between various countries, which had consolidated into a single economic system, had already been formed in world practice.

During the Soviet era, Uzbekistan practically lost the ability to independently, at its own discretion and in its own interests, determine the tactics and strategy of foreign economic activity, determine the volume and structure of export-import operations, establish and develop trade and economic relations on a mutually beneficial basis with potential partners. Here, the installations and commands of the center were obligatory for implementation, which were largely based on political prejudices, rather than on the economic expediency and positive consequences of integration. By chance, the proportion of foreign countries in the exchange of goods of Uzbekistan in the Soviet era was very small. Their share in foreign trade almost reached 15%. At the same time, the lion's share in it was occupied by inter-republican exchange operations within the Union. After gaining its independence, Uzbekistan almost had to rebuild its way to the difficult world of economic integration, establishing and developing mutually beneficial partnerships with many countries of the world, including, of course, foreign countries.

Thirdly, the unfavorable commodity structure of foreign trade turnover inherited by the USSR. The raw material orientation of the economy, the underdevelopment of the industry and high-tech industries, the cotton monoculture and other factors are most directly reflected in the commodity structure of export-import operations of the time. Even in the first years of independent development, the main place in exports was occupied by the supply of cotton fiber in 1990, 59.7%, while the share of all other goods and services accounted for only 40.3% of exchange operations (including machinery and equipment). 1.7%, foodstuffs 3.9%, etc.) despite the presence in the country of enormous resources of agricultural products, the main place in the import structure was, oddly enough, the purchase of food products abroad (1990 -48, 9%)

Fourthly, insufficient development of the Internet in the republic. The emergence and development of the Internet has had a tremendous impact on the development of the world economy, on the dynamics of foreign economic activity. The Internet has widened traditional geographic boundaries, opening the door to new low-cost and efficient distribution of trade between countries. Thanks to the emergence of the Internet, enterprises located in different countries have the opportunity to quickly organize marketing research through it, to buy and sell products. The experience of countries skillfully using the advantages of the Internet for the development of foreign economic relations



shows that creating conditions for strengthening is economically linked with the need to create conditions conducive to the development of new information technologies in the country.

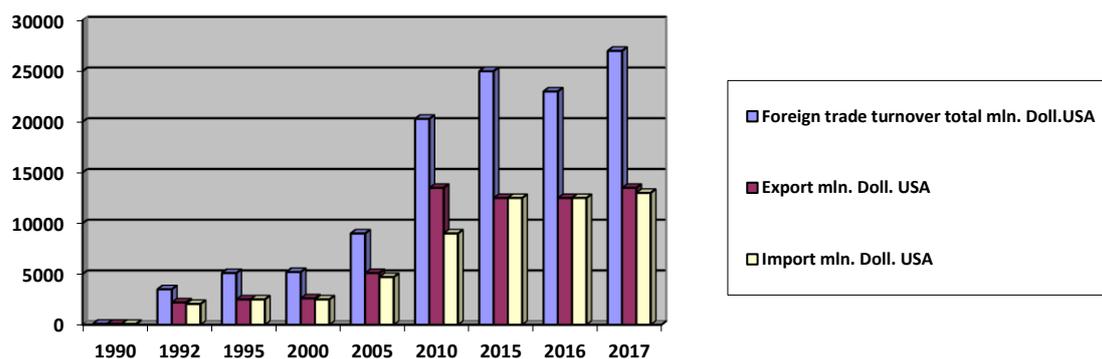
#### **MAIN PART**

The ubiquity of the distribution of telephone networks and personal computers would create conditions for the development of the Internet in the republic. At the same time, the government should ensure the availability of Internet services by controlling the tariffs set by joint ventures, as well as communications enterprises, most of them – monopolists. Over the past 2 years, serious, effective measures have been taken aimed at the development of information and communication technology measures and the Internet in Uzbekistan. Mininfokom published data on the number of Internet users in Uzbekistan. At the beginning of 2018, the total number of Internet users in our country is 20 million and increased over the year by 5.3 million users (an increase of 36%). In 2017, Uzbektelecom implemented a number of projects to expand the capacity of existing and build new border connections with operators of neighboring countries in order to meet the growing needs of citizens for Internet services. As a result of all the measures taken, the speed of organized Internet access channels doubled. At the same time, the overall speed of access of Uzbekistan to international networks amounted to 104.1 Gbit / s, and the growth of this indicator for the year amounted to more than 58%.

But still the problem with the Internet is not completely solved. Today, the offer of Internet services, the quantitative and qualitative parameters of these services, want to be better and noticeably lag behind the rapidly growing needs of economic entities and the population of the Republic. Does not meet the high requirements of today and the speed of connection to international networks. The average speed of Internet connection in the CIS countries is 10 times higher than in Uzbekistan. In this regard, an important task has been set to increase the connection speed at least 4 times in order to bring it to the level of the CIS countries by 2020. The low localization of Internet traffic has a negative impact on the quality of the services provided. In many foreign countries, the localization of Internet traffic in the country is at least 60%, while in Uzbekistan only 19%. In this regard, it would be advisable to localize the world's popular Internet resources and portals, as well as to work actively to create conditions for the development of truly high-quality national content, paying particular attention to the large-scale transition to digital information transfer technologies, integration of electronic resources, databases digitized full-text documents and multimedia resources equipped with a modern search engine, a single system of metadata.

Fifth, the lack of modern transport communications, providing access to Europe and the Pacific coast through the shortest and most convenient routes. This factor has a very negative impact on the development of trade and economic relations with Western countries.

The above and other difficulties could not affect the state and dynamics of foreign economic activity, the development of integration processes in the economic sphere, as is clearly evidenced by Figure1.



**Figure 1. Dynamics of foreign trade turnover of the Republic of Uzbekistan for 1990-2018.**

The results of the analysis show that the volume of foreign trade turnover for all these years of self-development increased from \$ 3,946.3 million in 1992 to \$ 6,689.2 million in 2003, or by 69.5%, and Some years it has dropped to almost \$ 9 billion. Export of products is growing relatively slowly. For example, if during the analyzed period, the volume of imports increased by 79.8%, then the volume of exports increased by 68.3%. Meanwhile, at present, the share of Uzbekistan in world exports does not correspond to the population living on its territory. The population of Uzbekistan is 0.4% of the total population of the globe, whereas its share is only 0.07% of world exports. Such a discrepancy clearly does not meet the needs of society and indicates the need for the development of foreign trade and, above all, on the basis of expanding the export base. Opportunities for a significant expansion of the export base in the country are available. It has enormous natural and human resources, excellent climatic conditions for the development of the agrarian sector of the economy, has good conditions for increasing industrial production, and developing tourism.

In his message to Oliy Majlis, the President of the country paid special attention to this: "Uzbekistan has richest natural resources and significant economic potential. In its depths there are large reserves of gold, silver, copper, uranium, oil, natural gas, coal and other minerals. In our country, you can find all the elements of the periodic table.

Tell me, where else is there such a fertile land, an optimal climate with a large number of sunny days a year? ". In order for this truly enormous potential to come into effect and serve the interests of the



broad strata of the population, methods and mechanisms to increase the efficiency of social production, verified by international practice, should be launched, all internal reserves and possibilities of achieving the goal should be connected. The Strategy of Action, which is very important for the current stage of reforming the country, and also corresponds to the objectives of the Sustainable Development Goals, approved three years ago by the UN member states at the General Assembly, has an important role to play in solving these complex tasks.

Of the entire set of priority areas of the Strategy from the point of view of this study, of particular interest are the goals that Uzbekistan intends to follow in the economic sphere, as well as foreign economic policy. The main direction of economic transformations announced liberalization, including, in particular, "the phased introduction of advanced market mechanisms of currency regulation, the formation of the national currency, ensuring its free convertibility"; "Development of small business and private entrepreneurship"; "Further reduction of the state's presence in the economy"; as well as "a comprehensive and balanced socio-economic development of regions, districts and cities, the active attraction of foreign investment in sectors of the economy and regions of the country by improving the investment climate". In the field of foreign policy, it aims at implementing a balanced, mutually beneficial and constructive foreign policy, a special place in it occupies "strengthening the independence and sovereignty of the state, further strengthening the place and role of the country as a full subject of international relations, joining the number of developed democratic states" [1, 6]. The stated goals in the sphere of economics and foreign economic policy together create favorable conditions and real prospects for strengthening the integration of Uzbekistan into the global economic system.

With the attainment of independence, the conceptual basis in the sphere of foreign economic activity was the development of bilateral and multilateral mutually beneficial relations capable of providing mutual benefit to the partner countries. The implementation of this approach led to a significant change in the role of individual states in foreign trade, a decrease in the share of some of them (for example, Russia, the United Arab Emirates, Kazakhstan, Turkey, Turkmenistan, the Netherlands) and, on the contrary, an increase in the share of other (for example, USA, Great Britain, France, Korea, Japan, Belgium, etc.), the emergence of new partners.

Over the past years of independent development and transformation of the political, economic and social components of public life, the circumstances in the country and the geopolitical situation in the world have changed dramatically. The totalitarian system and the command methods of economic management peculiar to it collapsed completely and became a visual page of history. In



connection with the destruction of the totalitarian regime and the transition to a market system of management, completely different and acceptable conditions were obvious for mutually beneficial economic cooperation at the level of the former USSR. Today, with the course of socio-economic development and the urgent needs of raising the economy on an evening ration, the question has been raised of strengthening integration ties and enhancing the interaction of market actors with other countries of the world, and first of all with the countries of Central Asia in the region and the near abroad, which in all respects closer compared to other countries. It is impossible not to see that the most reliable and effective way to globalization on a world scale can, through strengthening economic relations and improving the mechanisms of social reproduction, primarily with countries that have initially strong economic ties, approximately equal and equivalent starting conditions. Viya for entry into the global economic system of the West. Not ignoring, but skillfully using the real possibilities of mutually beneficial cooperation within the CIS, and especially with neighboring countries, can and should become an impulsive factor in the restoration and sustainable development of the national economy. Moreover, strong integration within the framework of the CIS can play a significant role in preparing the necessary conditions for all its subjects, including our country, to enter the global economic system of the West with the lowest costs and in a shorter timeframe.

The expediency and prospects of intensive development of foreign economic relations, mainly with the CIS countries, are also due to the fact that globalization, as an objective process, establishes a high level of competition in the commodity market and services, the opposition of which to domestic commodity producers is not always possible. In Soviet times, enterprises located in the territory of Uzbekistan, like all other enterprises of the all-Union economic space, were in isolation from the external economic environment, while avoiding strong pressure from foreign manufacturers and competitors within the country. . Moreover, there was no special need to bother yourself and to find ways of conquest and recognition in the world market - there was a rather capacious market of consumer demand within the framework of the CMEA. In this regard, domestic producers, who are just beginning to adapt to work in market conditions and in some cases use inefficient, often outdated production technologies, are not sufficiently prepared for the active participation in the international capital and sales market as its highly competitive entity.

It should be noted that with the transition to a market economy and the implementation of its structural adjustment, the commodity structure of foreign economic activity significantly improved (Table 1).

**Table 1. Republic of Uzbekistan for the years 1990-2018 (in% of the total)**

Goods and services	Export					Import				
	1990	2015	2016	2017	2018 (Jan.- Feb.)	1990	2015	2016	2017	2018 (Jan.- Feb.)
Cotton fiber	59,7	7,4	5,1	3,4	2,6	-	-	-	-	-
Sold goods	3,9	11,9	8,5	6,3	7,0	48,9	10,8	11,9	10,0	13,2
Chemical products	2,3	4,6	6,7	6,3	8,4	9,7	15,9	17,5	17,1	14,9
Black and col. metals	4,6	6,9	5,7	6,6	7,4	10,2	8,0	7,6	10,1	10,5
Machinery and equipment.	1,7	3,9	1,7	2,5	3,1	12,1	39,5	41,4	38,4	36,3
Energy sources	17,1	26,0	13,6	14,2	23,2	3,1	6,2	4,9	5,4	7,7
Services	1,3	21,5	25,6	25,1	32,6	1,5	8,0	6,5	7,4	6,4
Other	9,4	17,8	33,1	35,6	15,7	14,5	11,6	10,2	11,6	10,9

The data in the table show that over the past years of independent development in the country's exports, the share of services and food products has noticeably increased. machines and equipment, ferrous and non-ferrous metals, on the contrary, the proportion of cotton fiber has decreased many times. Positive shifts occurred in the structure of imports. For example, the share of imports of food products decreased from 48.9% in 1990. up to 10.0% in 2017 The share of other goods decreased (by 2.9%), but the share of machinery and equipment increased sharply (by 36.3%).

Great prospects for the development of foreign economic activity are being opened up by the economic liberalization policy carried out in the republic, which has now become a decisive factor in the deepening and logical completion of economic reforms. Liberalization of foreign economic activity, the objective necessity of which is determined by the requirements of the economic laws of the market, means the development of economic entities and lower administrative structures from excessive care of the central government bodies,



providing the greatest possible freedom of action for the regions and local governing systems for entrepreneurs. In the conditions of market relations, the economic laws of supply and demand, competition. the price mechanism is the natural objective basis for the development of the economy on the basis of self-regulation. Any attempts to ignore the requirements of these laws, willful decisions in the economy are doomed to failure and, ultimately, will lead to economic stagnation, with all the ensuing consequences for overall progress.

Taking all this into account, the Strategy of Action sets and implements specific tasks to enhance the role of the regions in foreign economic activity, leveling the conditions for their livelihoods, including, of course, the conditions for export-import and other economic relations with foreign partners. –distribution of power and democratization of the entire system of governance. The measures taken to ensure the convertibility of the soum were important for the liberalization of foreign economic relations and the development of integration processes. In the process of further liberalization of the economy, the work begun in this direction requires its logical conclusion.

Solving the difficult problems of economic liberalization, it should obviously be assumed that the region's ability for self-regulation and self-development, the effective use of export potential is proportionally dependent on the degree of regulation and restriction of its powers, functions and conditions of functioning. In this regard, when delegating the central state bodies of their powers to the regions, they should be provided with a sufficient and necessary degree of freedom to make management decisions, to determine directions and develop an effective system of actions on the world market. Regions as an administrative and managed system can effectively perform all their functions in managing and regulating foreign economic activity only if their authority and place in the general management system corresponds to the complexity and importance of the problems of effective use of actual potential. Based on these positions, in order to achieve strategic goals and in the context of the policy of further liberalization of foreign economic activity in the republic, much remains to be done to improve the procedure and conditions for licensing, quoting, taxation, government duties and other instruments for regulating economic relations with foreign partners.

In accordance with the measures provided for in the Action Strategy, the process of liberalization of foreign economic activity in the country continues. It seems to us that the entry of Uzbekistan into the World Trade Organization (WTO) should be a serious step in this important matter. The measures implemented in the country within the framework of the Strategy of Action contribute to the elimination of barriers hindering the successful accession of Uzbekistan to the WTO. The World Trade Organization (WTO) is the only global international organization that deals with the rules of trade between countries. WTO membership contributes to increasing competitiveness and increasing trade with consistent application of rules and procedures



throughout the world. Noting its particular importance to the country, Gary Robbins, Director of the USAID Central Asia Office in Uzbekistan, noted that “WTO membership can be an important signal to the whole world that Uzbekistan is a member of the international trading community and, indeed, the country is “ open for business ”. Uzbekistan’s accession to this organization will expand access to bilateral trade between Uzbekistan and other WTO members, including the United States ”[2, 3]. The EU also supports the idea of Uzbekistan joining the WTO. For example, the head of the EU delegation in Uzbekistan, Yuri Sterk, said: “The European Union (EU) is ready to provide assistance to Uzbekistan for expert evaluation and recommends considering the question of speeding up the process of joining the World Trade Organization (WTO).” [3,4

It seems to us that the accession of Uzbekistan to the WTO will contribute to the development of foreign trade, because this organization is the main instrument for the realization and realization of the ideas of globalization and liberalization of world trade as the most important condition for improving the competitiveness and efficiency of national economies. The main task of the WTO is the liberalization of international trade through the consistent reduction of import duties, as well as the elimination of quantitative and other tariff-free barriers to trade and the use of tariff methods for its regulation instead. Consequently, Uzbekistan, joining the World Trade Organization, will receive new opportunities for more active participation in export-import operations, respectively, will increase foreign trade turnover with all the resulting positive effects for the economy. These include: the acceleration of scientific and technological progress; improving the efficiency of resource use by domestic producers; lower prices for goods and services in the domestic market; tougher competition and increased competitiveness of the national economy; expansion of the export base: the most favored nation treatment for exporters of domestic products, etc. However, entry into the WTO is associated with a certain risk and has negative consequences for the country's economy. In his article “Uzbekistan’s accession to the WTO: government regulation and protection of national industries”, V.V. Baturina addresses the problems of the economic consequences for the most vulnerable industry of the country — the automotive industry. In her opinion, the extent of damage will depend on both the conditions of accession to the WTO and the state regulation of the development of the industry, that is, the development of protection conditions in the preparatory period for accession by changing the tariff, price, investment policy and other measures. [4,4 ] Of course, in addition to the automotive industry, many other sectors and enterprises of the national-economic complex, which for various reasons cannot produce high-quality competitive ready-made products, will suffer. oduksiyyu. In the process of preparing for accession to the WTO and in the initial stages of membership, the national economy will suffer greatly from a sharp increase in imports, which could severely undermine the low-quality, expensive domestic production. There are problems associated with



the incompleteness of structural reforms in agriculture, there are dangers of freezing the raw material orientation of integrating the national economy into the world economic system.

## **DISCUSSIONS**

However, Uzbekistan, having embarked on the path of market reforms and the formation of a well-functioning socially oriented market economy in the country, cannot refuse to join the WTO, which is one of the most important tools for realizing the benefits of the international division of labor between equal members of the world economy. Uzbekistan, having a huge economic potential, joining the WTO, can significantly increase the competitiveness of the national economy and achieve, thereby, a noticeable expansion of the export base and an increase in the export of domestic products to the world market of goods and services. It seems that nothing but the entry into the WTO and the further liberalization of foreign trade is an effective method of expanding the export base of Uzbekistan, which means ensuring the growth of its economy. Preparation and entry into the WTO will contribute to improving the competitiveness of the national economy in the world market through the introduction of knowledge-intensive and labour-intensive technologies, the development of high-quality goods, the use of modern methods of organization of the pile and production management. The continuation of the initiated process of overcoming the raw material orientation of the economy, the achievement of deep processing of agricultural products will be important in solving the problem of expanding the export base.

As the main measures to protect the vital interests of domestic producers from the onslaught of foreign suppliers and their support during the preparatory period in order to reduce the risk and potential damage from WTO accession, the following is recommended. First, both at the government level and in scientific circles with the involvement of the public, especially business and entrepreneurs, and vouching for the assistance of foreign experts, it is necessary to develop a broad and thorough discussion of the economic problems of Uzbekistan's accession to the WTO, careful analysis of the possible impact of this process. on the national economy, on the prospects for its growth. At the same time, special attention, in our opinion, should be paid to the issues of objective and reliable assessment of not only the positive results and achievements from joining the WTO, but also, what is very important, its negative consequences for the economy. Secondly, the forced adjustment of national legislation and practice of regulation of foreign economic activity in accordance with the provisions of the package of agreements of the Uruguay Round and WTO rules. Thirdly, support and stimulate the production of relatively cheap and high-quality finished products that can compete in the world market. For in modern conditions, in the struggle for the markets for finished products on the world market, price parameters and the technical novelty of goods (services) are of paramount importance. To solve this problem, special attention should be paid, according to the



experience of Western countries, to the clustering of the national economy, as an innovative development strategy that contributes to lower prices and higher quality of finished products based on deep integration throughout the entire production cycle and enhancing the relationship between manufacturing enterprises and scientific and industrial enterprises. educational institutions. Fourthly, support and encouragement of promotion of domestic products to the external market. Fifth, as the production potential grows and national producers become more competitive, a gradual and gradual opening of the domestic market, a decrease in the level of import duties and the removal of other barriers hindering the import of products into the domestic market. Sixthly, ensuring a cardinal improvement in the quality of training as the most necessary and essential condition for increasing the competitiveness of the national economy.

It should be emphasized that the studies on the issues of Uzbekistan's accession to the WTO mainly affect certain aspects of this important problem. We consider it expedient to continue the political, legal, economic, social, cultural and other areas of the in-depth study of this problem in order to maximize the result from the country's accession to the WTO. The spectrum of various studies is quite wide, but it is necessary to develop research with elements of a systematic approach, which is also important from the point of view of making a scientifically based and correct decision.

## **CONCLUSION**

In conclusion, I would like to note that assessing the state and dynamics of integration processes in the economic sphere as a whole, it should be recognized that here the achievements are incomparably small compared to the topics of the potential opportunities currently available in the Republic of Uzbekistan. Solving the complex problems of enhancing integration into the global economic system, obviously, one should proceed primarily from the enormous role that intensive development of foreign economic activity can play, primarily with neighboring countries, as well as with neighboring countries. foreign countries, both for the near and for the long term. Effective measures stipulated in the Strategy for Action (restructuring the national economy, improving macroeconomic regulation, reducing the state's presence in the economy, systemic changes in the state and methods of managing society, etc.) create favorable conditions for successfully solving all these complex tasks on a qualitatively new basis.



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