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## The Current State of the Uzbekistan Economy and Opportunities for Increasing Its Competitiveness in the Conditions of Globalization

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**Abstract:** The current state of the economy of Uzbekistan, as well as, emerging negative phenomena in the foreign economic activity of the republic in recent years are analyzed in the article. In addition, possible economic problems are considered when Uzbekistan joins the Eurasian Economic Union and concrete measures are proposed to adapt the economy of the republic to the conditions of the customs union.

**Key words:** integration, Eurasian Economic Union, foreign trade turnover, exports, imports, competitiveness of the economy, customs duties, refinancing rate, diversification.

In the context of global competition in the world market, one of the most important tasks of the state is to choose the priorities of the national economic policy, on which a lot depends: the economic security of the country, the competitiveness of its economy in the domestic and foreign markets, the standard of living of the population and the degree of achievement of social goals. The main question that our republic should answer when forming an economic development strategy for the future is how economic security, on the one hand, should be correlated with the use of advantages, the introduction of resource-saving and innovative technologies, focusing on intensive development methods, leveling disproportions in the development of industries, diversifying exports and the formation of markets for new types of products with high added value. But unfortunately, the course of integration of the economy of Uzbekistan into the world economy has revealed the limited possibilities of adapting to the world trends of the national economy of the republic. As sad experience has shown, the collapse of the Soviet Union led to the rupture of an integral economic and production space, the termination of cooperation, ties between enterprises, scientific and production associations, which led to the emergence of numerous barriers to mutual trade and other economic relations. In the economy of the former Soviet republics, including Uzbekistan, due to a significant weakening of economic ties, a deep formation of the reproduction process took place in the direction of excessive development of raw materials industries for the needs of the rest of the world.

As can be seen from the history of the development of the world economy, countries specialized in the development of resource-producing sectors of the economy do not have strong immunity against market fluctuations in the world market. For them, there is always an external threat of disruption of the internal economic balance. Naturally, a strong future cannot be built on such a basis, which entails the growth of financial and technological dependence, unstable budget revenues and many other negative consequences.

Comparison of the dynamics of the structure of foreign trade in goods and services of the republic with data on world trade and exports clearly shows that in its structure, the foreign trade turnover of Uzbekistan is fundamentally different from international economic exchange. In world trade, a significant share falls on finished products and services, which embody the achievements of

scientific and technological progress. And in the structure of republican exports, basic goods and the simplest types of services predominate, imports are dominated by goods and services related to meeting consumer demand (table).

As can be seen from the table, in recent years, negative trends have been observed in the republican foreign trade turnover: the excess of imports over exports. This shows that the main part of the manufacturing industries, the agricultural sector and the service sector are not able to meet the needs of the domestic market in terms of the range, quality or quantity of goods and services produced.

**Table 1. Dynamics of the structure of foreign economic activity of the Republic of Uzbekistan for 2000-2019**

Structure	2000	2005	2010	2015	2018	2019	2020	2021
<b>EXPORT</b>								
Cotton fiber	897,1	1033,3	1572,7	736,1	222,1	281,6	146,9	136,5
Foodstuffs	176,4	206,1	1260,5	1316,4	1097,7	1517,5	1443,8	1471,8
Chemical products and products from it	93,4	285	661,3	613	904,6	876,9	873,2	1225,3
Energy and oil products	335,2	623	2973,8	2685,2	2666,2	2524,9	659	889,9
Ferrous and non-ferrous metals	216,7	499,9	894,4	824,2	1167,1	1300,9	1241,9	1653,4
Machinery and equipment	111,8	452,8	715,4	159,3	214,1	451,4	442	702,8
Gold	554,2	1164,7	2618,1	1920,6	2909,5	4918,3	5804,4	4109,8
Textile products	235,6	203,5	637,2	883,7	1603,1	1626,6	1578	1326,2
Services	449,1	659,3	1335,5	3061,3	3029,9	3560,3	2005	2547,4
Other	195,2	281,2	354,5	307,8	438,6	843,5	908,1	3 229,7
<b>Total</b>	<b>3264,7</b>	<b>5408,8</b>	<b>13023</b>	<b>12507,6</b>	<b>14252,9</b>	<b>17901,7</b>	<b>15102,3</b>	<b>16610,6</b>
<b>IMPORT</b>								
Foodstuffs	361,1	287,2	963,2	1585,3	1581,6	1885,1	2159,6	2 926,2
Chemical products and products from it	399,5	558,7	1265,7	2108,2	2554,8	3200,4	3436,7	4 260,1
Energy and oil products	112,7	103,7	654,6	725	879,5	928,1	1106,9	1 541,0
Ferrous and non-ferrous metals	253,5	419,4	742,1	919,4	1773,3	2116,9	1751,3	2312,8
Machinery and equipment	1044,1	1770,4	4032,5	5026,7	8321,7	10635,2	8904,2	9 454,4
Services	251	424,7	490,4	954,1	2242,9	24241,8	1221,4	1 736,8
Other	525,5	527,2	1027,3	1097,9	2201,4	3088,7	2573,7	3 229,7

<b>Total</b>	<b>2947,</b> <b>4</b>	<b>4086,</b> <b>3</b>	<b>9175,</b> <b>8</b>	<b>12416,</b> <b>6</b>	<b>19555,</b> <b>2</b>	<b>24276,</b> <b>1</b>	<b>21153,</b> <b>8</b>	<b>26203,</b> <b>7</b>
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**Source: State Committee on Statistics Republic of Uzbekistan**

Due to the imbalance in foreign trade, the dependence of the Uzbek economy on foreign markets remains very high. From this we can conclude that so far the competitiveness of the national economy wants the best. This means that modern production structures and foreign trade turnover are not yet able to ensure sustainable economic development in an open economy, in addition to this, the share of extractive industries in the structure of the economy of the republic is increasing every year, which leads to its one-sided development and a decrease in the competitiveness of the economy as a whole. At the same time, the extractive industries should serve as the basis for the development of other sectors of the economy and contribute to ensuring macroeconomic stability, modernization of the economy and social well-being of the population of Uzbekistan. The current state of the Uzbek economy, based mainly on the export of raw materials, energy, semi-finished products and the import of nodes, components contain obvious economic, trade and political threats. Fuel and raw material specialization hinders the growth of the republic's competitiveness and makes its economic positioning in the world unstable. World practice proves that global economic cataclysms have the least painful effect on countries that are characterized by: balanced development of the most important sectors of the economy, a healthy financial system, low inflation rates, a balanced budget, a trade and current account surplus, the absence of significant external debt, a sufficiently high volume of gold and foreign exchange reserves, a realistic exchange rate of the national currency, an effective state as a macroregulator of the economy. In the context of globalization and integration of the world economic system, the state should direct its efforts to the development of foreign economic cooperation with countries near and far abroad and take part in global and regional economic processes in order to ensure sustainable economic development. Because in modern conditions, the competitiveness of the country's economy is an indicator of the state and prospects for the development of the economic system, determines the nature of its participation in the international division of labor, acts as a guarantor of economic security and the ability to produce goods and services that meet the requirements of the world market, the implementation of which contributes to the growth of the welfare of the population. Given this, we can say that it is impossible to change the nature of the republic's participation in the international division of labor without developing resource-consuming and manufacturing industries, that is, without new industrialization. This is the only way to diversify exports through finished products, including products that are competitive in the world market in high-tech industries. In the current conditions, in order to switch to an innovative path of development, break out of the dependent position of donors of raw materials, enter the world of developed countries with high-tech production and a diversified economy, entering the EVRAZ for Uzbekistan is an objective necessity. It should be noted here that the EVRAZ member countries still have considerable intellectual, scientific, technical, and economic potential. There are large technological backlogs in the aircraft industry, special metallurgy, mechanical engineering, energy, machine tool building, biotechnology and other areas, thanks to which the economies of these republics could rise to the world level and integrate into the world economy. This, in turn, makes it possible for our economy to fit into transnational and global processes.

Historical experience shows that the creation of trade and economic associations takes place in order to achieve generally significant goals, and, as a rule, is accompanied by an intensification of interaction between the participating countries in all areas of economic activity. According to the well-known Russian economist S.Yu.Glazzyev, the creation of EVRAZS is part of the economic development policy aimed at getting out of the resource trap and embarking on the path of an innovative economy. He believes that this policy involves the activation of the remaining scientific and production potential, the restoration and development of existing reproduction circuits for the manufacture of high-tech products with high added value, broad cooperation and specialization in industry and agriculture [1].

In general, we agree with the opinion of the famous scientist, but another problem arises. It should be noted that the positive effect of integration occurs when the levels of economic and technological development of countries are close enough.

And if there are significant gaps in living standards, incomes, technologies, problems are possible: for a less developed country, a situation of growing imports arises. At the same time, the possibility of export is usually small due to technological barriers. Based on the foregoing, we will try to determine how the internal capabilities of Uzbekistan correspond to the level of development of future partners in EVRAZ. It should be noted here. that we are far behind the Russian Federation and Kazakhstan in terms of economic development.

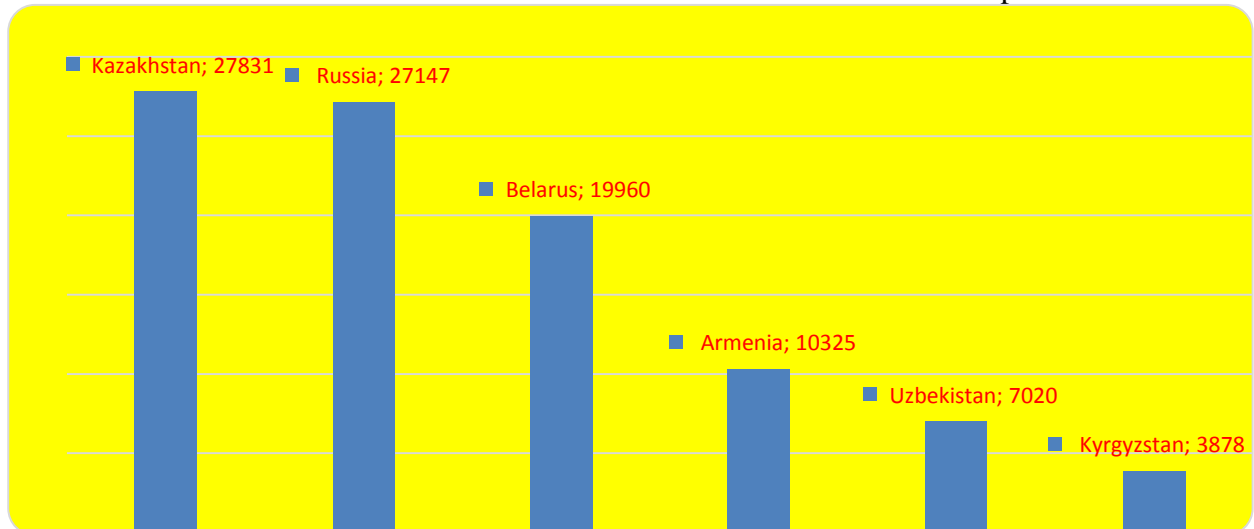


Chart №1. GDP per capita PPP (thousand dollars)<sup>1</sup>

As shown in Chart 1, the level of GDP per capita in Uzbekistan is on average four times lower than in the above countries. And this, in turn, was reflected in the foreign trade turnover. As can be seen from Table 2, in recent years, mutual trade between Uzbekistan and the Russian Federation has seen a steady trend in excess of imports over exports. A similar situation is observed in the trade balance with Kazakhstan and Belarus due to the low competitiveness of domestic goods not only in the EVRAZ markets, but also in the domestic market. Given this, we can say that the entry of the republic into the EVRAZS in its current state can destabilize the already weak national economy.

Table 2. Dynamics of the EVRAZ member countries in the external trade turnover of the Republic of Uzbekistan (for 2014-2021) (mln USD)

The Country	2014	2015	2016	2017	2018	2019	2020	2021
<b>The Russian Federation</b>	5858,5	4455,8	4182,7	4728,7	5729,8	6626,9	5659,5	7516,9
Export	2545,8	1821,1	1794,9	2019,2	2192,9	2492,5	1485,8	2058,7
Import	3312,7	2634,7	2397,8	2709,5	3536,9	4134,4	4 173,8	5 458,1
Balance	-766,9	-813,6	-602,9	-690,3	-1344,0	-1641,9	-2688,1	-3399,2
<b>Kazakhstan</b>	3496,4	2697,1	1898,9	2055,7	3022,2	3367,7	3005,7	3910,5
Export	2487,7	1849,4	945,0	1057,6	1457,7	1429,7	908,4	1 172,1
Import	1008	847,7	953,9	988,2	1564,5	1938,0	2 097,3	2738 ,4
Balance	1479,0	1001,7	-8,9	59,4	-106,9	-508,3	-1188,9	-1566,3

<sup>1</sup>Link: <https://konews.co/lists/co>.

<b>Belarus</b>	<b>177,8</b>	<b>109,1</b>	<b>112,6</b>	<b>182,4</b>	<b>420,0</b>	<b>330,8</b>	<b>262,1</b>	<b>377,4</b>
<b>Export</b>	<b>24,7</b>	<b>20,1</b>	<b>18,2</b>	<b>27,4</b>	<b>43,2</b>	<b>47,6</b>	<b>42,6</b>	<b>58,6</b>
<b>Import</b>	<b>153,0</b>	<b>89,6</b>	<b>94,4</b>	<b>155,0</b>	<b>376,8</b>	<b>283,2</b>	<b>219,5</b>	<b>318,8</b>
<b>Balance</b>	<b>-128,3</b>	<b>-68,9</b>	<b>-76,1</b>	<b>-127,6</b>	<b>-333,6</b>	<b>-235,6</b>	<b>-176,9</b>	<b>-260,2</b>
<b>Kyrgyzstan</b>	<b>225,9</b>	<b>136,0</b>	<b>167,4</b>	<b>253,7</b>	<b>481,0</b>	<b>829</b>	<b>907,2</b>	<b>952,5</b>
<b>Export</b>	<b>164,1</b>	<b>99,9</b>	<b>121,5</b>	<b>178,3</b>	<b>348,2</b>	<b>676</b>	<b>760,5</b>	<b>791,1</b>
<b>Import</b>	<b>61,8</b>	<b>36,1</b>	<b>46,0</b>	<b>75,4</b>	<b>132,8</b>	<b>150</b>	<b>146,7</b>	<b>161,5</b>
<b>Balance</b>	<b>102,2</b>	<b>63,9</b>	<b>75,5</b>	<b>102,9</b>	<b>215,4</b>	<b>529</b>	<b>613,8</b>	<b>629,6</b>

**Source: State Committee on Statistics Republic of Uzbekistan**

Currently, the level of GDP per capita in Uzbekistan is on average four times lower compared to the above countries. And this, in turn, was reflected in the foreign trade turnover. As statistical data show, in recent years, mutual trade between Uzbekistan and the Russian Federation has seen a steady trend in excess of imports over exports. A similar situation is observed in the trade balance with Kazakhstan and Belarus due to the low competitiveness of domestic goods not only in the EVRAZS markets, but also in the domestic market of the republic. Given this, we can say that the entry of the republic into the EVRAZS in its current state can destabilize the already weak national economy.

- Does this mean that we cannot join EVRAZS? In our opinion, joining this economic union is in the interests of the republic. But before entering it is necessary to solve certain problems in order to adapt the possibilities of the economy of Uzbekistan to the conditions of EVRAZS. To do this, we propose specific measures:-
- in order to help domestic producers get on their feet, especially for those industries that create products with high added value, we propose to reduce VAT to 10% for all enterprises, regardless of their form of ownership;
- At present, high customs duties on imported products are applied in the republic to protect its own producers, but unfortunately these measures have not brought the expected results. With this in mind, we propose other ways to weaken the focus of consumers on imports and strengthen the position of domestic producers in the domestic market. In our opinion, in conditions where the foreign trade turnover is negative, it is advisable to use effective tariff protection, i.e. zero duties on imported raw materials and materials that are necessary to stimulate and maintain domestic production and cannot be provided by domestic suppliers.
- In the current environment, the refinancing rate of the central bank is very high and amounts to 17%. And this, in turn, leads to an increase in the cost of loans from commercial banks for both business and the population. This means that if we do not lower the refinancing rate, the consequences may be negative for the entire economic system of the republic.
- At present, tariffs for energy carriers (electricity, gas) are very high for businesses and the population, which in turn leads to an increase in the price of goods and services, thereby reducing the competitiveness of domestic producers in the domestic and foreign markets. Based on this, we propose to revise energy tariffs downwards.

The application of these measures will ultimately reduce inflation, which makes it possible to increase the competitiveness of the republic's economy, reduce the influence of the shadow economy by increasing wages, pensions and other fixed incomes. This, in turn, leads to the stabilization of the purchasing power of the national currency, which makes it possible to improve the quality of money and the functions it performs. With the help of this, the scale of dollarization of the economy of our republic is reduced.

In our opinion, the implementation of the above measures would allow our republic to join the EVRAZ without pain for the national economy and solve the following tasks:

- ✓ switch to an innovative development path,

- ✓ enter the world of developed countries with high-tech industries and diversified economies,
- ✓ Increase the stability of the national economy in the face of increasing global competition.

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