

ECONOMIC DEVELOPMENT. DEVELOPMENT STRATEGIES

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Annotation: *This article is about economic development in the Republic of Uzbekistan and describes the economic changes that have been taking place in recent years. After independence, significant changes took place in the economy of the Republic of Uzbekistan, the industrial and agricultural sectors began to develop slowly.*

Key words: *Uzbekistan, economy, reforms, government, development strategy, inflation, budgetary stability.*

Uzbekistan first appeared on the world map as an independent state in 1991. After gaining its independence, reforms attempting to lay the foundations for a functional market economy began almost immediately in the country.

However, in 1996, the incumbent government's interference in the Uzbek economy and its import substitution policy significantly altered this economic direction, leading to Uzbekistan's economic isolation.

As a result of this flawed economic policy, economic growth was extremely low. Unemployment levels and the outflow of labor was high, and the high level of corruption also slowed economic development. This trend continued until 2016, when significant reforms began in Uzbekistan.

Time for reforms

Uzbekistan's economy needed radical, systemic, and consistent reform. The most important task was to create the conditions for efficient market mechanisms. In 2016, the country's new president, Shavkat Mirziyoyev, came to power, with the opportunity to initiate these systemic changes at that time. The main reforms announced by the new president were:

- unification of exchange rates, liberalization of the foreign exchange market;
- the removal of many administrative barriers to the cross-border movement of goods and people (especially with neighboring countries that had historically damaged relations with Uzbekistan);
 - reduction of customs duties;
 - reform of the banking sector and payment systems;
 - radical tax reform;
 - and the reduction of administrative costs for businesses.

Until 2017, the government of Uzbekistan pursued a policy of active protectionism. In addition, these were significant formal and informal barriers to cross-border capital movements.

Presidential elections were held in Uzbekistan on 24 October 2021. This was the sixth presidential election for the 35 million people living in Uzbekistan since it gained its independence from the Soviet Union in 1991.

Surprisingly, the Central Asian country only had two presidents in all those years. The first was dictator Islam Karimov, who was succeeded by Shavkat Mirziyoyev after his death in 2016. Since 2016, the new president has introduced

a completely different approach to Uzbek domestic and foreign policy, as well as to economy and trade.

Mirziyoyev, who received the informal title of “reformer” thanks to his image supporting the policy of a “new and open Uzbekistan,” won the 2021 presidential election despite the global economic problems caused by the Covid-19 epidemic and the regional security issues due to the withdrawal of American troops from Afghanistan. He received 80.1% of the votes, and will thus begin his second five-year term at the helm of the Central Asian country.

Macroeconomic stability: reducing inflation

Another important goal of the New Uzbekistan program is to continue the liberalization of the economy and the reforms initiated in 2017, strengthening the role of market mechanisms through efforts to gradually liberalize the domestic foreign exchange market and introduce the principles of national exchange rate formation.

- **The foreign exchange market is liberalized**
- **Restrictions have been lifted**
- **Extensive reforms have been carried out in the area of monetary policy**
 - **The cash problem has been solved**
 - **Purchasing became possible without currency restrictions**
 - **Continuously operating ATMs were introduced**
 - **Foreign trade has been liberalized and customs duties have been significantly reduced**
 - **Free withdrawal of profits is now possible**

At the same time, extensive reforms have also been carried out in the area of monetary policy, including the development of payment systems and the possibility of liberalizing foreign exchange.

As a result of the liberalization of foreign trade, its volume has also increased rapidly in recent times. After the liberalization of Uzbekistan’s currency and foreign trade, the introduction of market mechanisms in the

economy, price liberalization and other related reforms, ensuring domestic price stability and maintaining low and stable inflation became a top priority.

As part of the current development strategy, reducing inflation to 5% has been defined as a priority task, which is hoped to bring macroeconomic stability.

Ensuring the stability of Uzbek domestic prices is a guarantee of macroeconomic and social stability, which is a necessary condition for the acceleration of economic reforms and the successful implementation of development programs.

Over the past five years, Uzbekistan's fiscal policy has undergone radical changes. In particular, these included increased budget transparency, openness and simplification of the tax code.

In addition, measures have been taken to eliminate the shadow economy in several other areas. The 2017-2021 Action Strategy improved the system of budget appropriation, strengthened the role and place of the Oliy Majlis (the Uzbek Parliament) in the budget process, expanded the powers of local authorities, and launched the „Budget Initiative” project. Uzbekistan also issued international bonds, the proceeds of which were used to finance projects of strategic importance to the country’s economy.

As outlined in the new development strategy, ensuring the stability of the budget and external debt will be one of Uzbekistan’s priorities in 2022–2026. The reason is that the country’s growing budget deficit and external debt exceed internationally accepted standards, which could pose a threat to the national economy.

The strategy pays special attention to expanding the capacity of local budgets and promoting the efficient use of budgetary resources. These fiscal priorities are a logical continuation of previous reforms aimed at rationalizing budget revenues and promoting the efficient use of budget expenditures, ultimately increasing economic activity and ensuring macroeconomic stability.

- The transparency of the “open budget” was Ensured

- The role of the Oliy Majlis in the budget process was strengthened
- Comprehensive tax reforms were Implemented
- A strategy to improve tax administration was adopted
- Several reforms were implemented to reduce the relative size of the shadow economy
- Uzbekistan issued government bonds

The New Uzbekistan Development Strategy of 2022–2026 is a very ambitious undertaking of the Uzbek government, setting a number of strategic tasks for further economic development within the next five years.

Particular attention has been paid to continuing reforms to promote entrepreneurship, create a businessfriendly environment and the necessary infrastructure, halve poverty, encourage regional development, and develop the agricultural sector.

These tasks are the continuation of the reforms successfully implemented under the previous Action Strategy for 2017–2021, which continue to serve the economic stability of the country and can be effectively built upon. With regard to foreign policy, the acceleration of Uzbekistan’s WTO accession process is also one of the priorities of Uzbekistan’s new development strategy.

In the meantime, expanding the export of finished products to European countries under the GSP+ system remains a top priority, as does continued cooperation with neighboring countries and major powers.

Finally, it should be noted that the New Uzbekistan Development Strategy 2022– 2026 identifies a number of priorities necessary for economic transformation, but the success or failure of the processes outlined above will be decisive for Uzbekistan’s leadership.

Achieving Uzbekistan’s set goals requires great effort and significant resources, so cooperation with partners and Eurasian global economic actors is prioritized for many of the goals outlined in the development strategy.

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