

**ECONOMIC INDUSTRY AND REFORMS IN DEVELOPING
UZBEKISTAN**

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Annotation *Uzbekistan, located in Central Asia, has been undergoing significant economic reforms in recent years to boost its economic growth and attract foreign investment. The country has a diverse economy with a strong focus on agriculture, mining, manufacturing, and services. This article will discuss the various economic fields in Uzbekistan and the reforms that are being implemented to drive economic development.*

Key words: *External earning, agroexpress logistical corridor ,annual growth, livestock sector morticulture,metallic ores,copper,zinc, tungsten, molybdenum, lead, municipal, tax burden.*

Agricultural Sector

Agriculture is an important sector of Uzbekistan's economy, accounting for approximately 25% of GDP and employing about 26% of the labor force. Cotton and grain are the country's principal crops, but elimination of quotas and price controls in 2020-2021 was facilitating a shift to higher-value fruit and vegetable cultivation. To continue the sector's liberalization and reflect a steep rise in global wheat prices in 2022, the state switched to market prices starting from June 1, 2022, when purchasing and selling grain. Exports of agricultural products

contributed approximately 8.4% to Uzbekistan's external earnings in 2022. In June 2021 Uzbekistan and Russia signed an agreement and in November 2021 launched Agroexpress logistical corridor project, which allowed the delivery of agro-food products in refrigerator container trains within 4-7 days. In February 2022, the prime ministers of EAEU countries approved the implementation of the Eurasian AgroExpress project to facilitate trade with and expedited delivery of agro-food products to Uzbekistan and China.

The government hopes to double farmers' income and ensure a minimum 5% annual growth of agriculture in 2022-2026 through intensive development programs, application of advanced scientific achievements, digitalization, and adoption of new technologies. The further development of processing and packaging capabilities to add value to domestic and export products also remains a priority. The following targets in processing capacities were set to reach by the end of 2023: fruit and vegetable - to 3.2 million tons, milk production - to 3 million tons, and meat processing - to 450 thousand tons. In total, \$1 billion will be allocated for projects to create a high value chain in the agricultural sector in 2023. Support for creation of vertically integrated clusters, 633 of which had been registered as of 2022, and a cooperative system providing a complete production chain "from the field to consumer" to improve productivity, are a primary focus of ongoing agriculture reforms. Loans and grants in the amount of \$600 million will be attracted to digitalize agriculture, increase land fertility, and introduce modern agricultural technologies. Agricultural Knowledge and Innovation Centers will be created in 2022-2026 in all regions, providing more than 100 types of agricultural services on a one-stop shop basis, including such important services as improving soil conditions, combating plant diseases, and selecting seeds. Uzbekistan also needs to invest in modernization of the existing infrastructure: it is estimated that \$826 million will be spent on the modernization of 299 pumping stations in 2021-2026. The government plans to double textile production by 2026, improving Uzbekistan's positioning in the value chain, and henceforth process more of its own raw cotton into intermediary or consumer

goods for export. Agriculture consumes 90% of Uzbekistan's water resources. The state is subsidizing the adoption of water-saving technologies and plans to save at least 7 billion cubic meters of water by 2026 through efficiency improvements. Uzbekistan currently ranks among the bottom 20 countries in the world in terms of water productivity, according to the World Bank, and produces only \$0.6 per cubic meter of water compared with a global average of \$15 per cubic meter.

To improve the country's food security, the Government of Uzbekistan has emphasized wheat production and supported poultry and animal farming over the past few years. The 2022-2026 Program for the Development of the Livestock Sector and its Industries was adopted in February 2022. On April 20, 2023, the World Bank approved a \$240 million loan for the Second Livestock Sector Development Project. The profitability of fresh fruit and vegetables has increased in recent years, and local farmers have aggressive plans for developing export markets for these products. In 2022-2025 the government will offer small family farms ten-year horticulture leases on 200,000 hectares of cotton and grain land transferred from large farms and clusters and allocate \$100 million for supporting loans. 100,000 hectares of irrigated sown areas were leased to 400,000 small farmers in 2022, and another 100,000 hectares were leased to 350,000 small farmers in 2023.

Mining sector

The country's resources include metallic ores; in the [Olmaliq](#) (Almalyk) mining belt in the Kurama Range, copper, zinc, lead, tungsten, and [molybdenum](#) are extracted. Uzbekistan possesses substantial reserves of natural gas, oil, and coal. The country consumes large amounts of its natural gas, and gas pipelines link its cities and stretch from Bukhara to the Ural region in Russia as well. Surveys show petroleum resources in the Fergana Valley (including major reserves in the Namangan area), in the vicinity of Bukhara, and in [Karakalpakstan](#). The modern extraction of coal began to gain importance, especially in the [Angren](#) fields, only during [World War II](#).

Hydroelectric [dams](#) on the [Syr Darya](#), the Naryn, and the [Chirchiq](#) rivers help augment the country's nuclear-, coal-, and petroleum-powered generation of electricity.

Centuries-old rumours of extensive [gold](#) deposits in Uzbekistan evidently arose from a basis in fact. Rich polymetallic ores have been found in the Ohangaron (Akhangaran) field southeast of [Tashkent](#). Miners extract copper, some gold, lead, molybdenum, tungsten, and zinc in there. A plant for heated-leaching gold from low-grade ore was built in the mid-1990s by a subsidiary of the Newmont Mining Corporation in the Muruntau field in the Kyzylkum Desert of north-central Uzbekistan. It was intended to be a [joint venture](#) with the government, but Newmont Mining Corporation's share was [forfeited](#) in a legal battle in 2007.

Service Sector

Tourism is a branch of the economy of the non-productive sphere, enterprises and organizations of which satisfy the needs of tourists in tangible and intangible services. Tourism products are a complex service that contains, as interrelated elements, services of transport, hotel management, trade (including catering), excursion, cultural and entertainment, sports, municipal, medical and recreational and other institutions and enterprises. Tourism is one of the main sources of income for most countries of the world (one of the 5 main sources of income for 83% of states, the main source of income for 38% of states). The most important economic feature of activities related to the tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment, and foreign-exchange earnings. In this respect, the tourism sector can play an important role as a driving force of economic development. The impact this industry can have in the different stages of economic development depends on the specific characteristics of each country. Given the complexity of tourism consumption, its economic impact is felt widely in other production sectors, contributing in each case toward achieving the aims of accelerated development.

As a rule, tourists leave from economically developed countries, which, according to the terminology of the WTO (World Tourism Organization), are suppliers of tourists. These include those states where the share of citizens traveling abroad exceeds 10%. There are not many such countries (about 16-20), but their list is steadily increasing. Before the crisis, in addition to the states of Western Europe, North America and Japan, there were also some Eastern European countries and the countries of the Persian Gulf region among them. Now their place is taken by new leaders who have achieved good rates of development - China, the Republic of Korea, Singapore, etc. The main tourist-producing countries are usually also the main tourist-receiving countries. That is, the main flow of tourists is visited by those countries from where the largest number of tourists come. A certain part of this flow goes to developing countries, while tourists from developing countries, on the contrary, are few in number.

Economic Reforms

Over the past **5 years in the priority area on Economic Development and Liberalization** of the Action Strategy, major economic reforms, such as ensuring macroeconomic stability, reducing inflation, reducing and simplification of the tax burden, diversification of the economy, creation of a business-friendly environment, improvement of infrastructure, agriculture, economic integration, development of digital economy were carried out at a rapid pace.

In particular, the reforms within the framework of the Action Strategy have created conditions for equal and free competition for all. The tax burden for businesses has been reduced due to the abolition of surcharges and the normalization of tax rates. At the same time, property, income and social tax rates were reduced by **2** times. Value added tax has been reduced from **20** percent to **15** percent.

In recent years, a wide path to entrepreneurship has been opened. Unscheduled and alternative inspections of business entities have been abolished, the number of procedures for providing public services for business registration, and the time required for registration have been reduced. Another important point

is that scheduled inspections, as well as the issuance of licenses and permits for **42** types of activities have been abolished.

In turn, in the framework of the Action Strategy for 2017-2021, strategies for the **development of leading industries** (*textiles, electrical engineering, automotive, building materials, chemical and petrochemical industries, agricultural machinery, energy*) were adopted.

It should be noted that special economic and small industrial zones are increasing the efficiency of using the economic potential of the country and becoming a modern, convenient and effective way to develop entrepreneurship.

In recent years, such economic zones, which are actively organized in all regions of the country, have become a major "driver" in providing employment through the localization of imported products, increasing local export potential and creating new jobs.

Currently, there are **23** free economic zones in Uzbekistan. There are implemented 453 projects which have a total value of **\$ 2.6 billion** and created about **36,000** jobs. Appropriate privileges and preferences have been provided to attract foreign investors to free economic zones. Privileges are granted depending on the volume of investment, with the application of income tax and single tax rates for the next 5 years at a rate **50%** lower than the current rates:

when investing from USD 300,000 to 3 million USD - **for a period of 3 years;**

when investing from 3 million USD to 5 million USD – **for a period of 5 years;**

when investing from 5 million USD to 10 million USD – **for a period of 7 years;**

when investing over 10 million USD and higher – **for a period of 10 years.**

Appropriate infrastructure has also been created for the effective operation of **small industrial zones** specializing in leading industries. Currently, there are **348** small industrial zones. **1497** projects worth **5 trillion UZS** were launched in small industrial zones and more than 36,000 people were employed. This

indicates that our country has accumulated the necessary experience in establishing this system

Uzbekistan has developed its tourism infrastructure through **radical reforms in the tourism sector**. The number of international tourists increased from **2 million** in 2016 to **6.7 million** in 2019. According to the United Nations World Tourism Organization (UNWTO), in 2019 Uzbekistan entered the top five countries with the best developing tourist destinations. In 2016-2021, the number of local tourists will reach **24 million**, while the number of foreigners will reach **20 million**. It should be noted that due to the restrictions imposed during the coronavirus pandemic and the consequences of the global crisis, in 2020 - **1.5 million**, and in 2021 - **1.7 million** foreign tourists visited Uzbekistan. However, in 2019, Uzbekistan was visited by about **7 million** tourists.

One of the most important economic reforms aimed at liberalizing the economy and increasing the role of market mechanisms, which began in 2017, were practical steps to **gradually liberalize the domestic foreign exchange market** by introducing the principles of formation of the national exchange rate based on market mechanisms. At the same time, large-scale reforms have been carried out in the field of monetary policy, including the development of payment systems, the purchase of foreign currency, the solution of the **cash problem**, and the introduction of automated ATMs.

According to statistics provided by the Central Bank, the total number of ATMs and information kiosks in the country is currently 11,572. In addition, in 2019-2021, the total number of currency exchange offices serving the population increased from 1,724 to 2,664, including the number of automated currency exchange offices operating in "**24/7**" mode from 722 to 1,306, and opportunity was created for convenient exchange of national currency into foreign currency.

Uzbekistan's fiscal policy has changed radically, in particular, ensuring budget transparency and openness, tax reforms to simplify and improve taxation, and a number of reforms aimed at reducing the share of the shadow economy.

The meeting held on January 16 was devoted to the priority tasks of ensuring macroeconomic stability and economic development in 2024. In 2023, industry grew by 6%, the service sector by 6.8%, construction by 6.4%, and agriculture by 4.1%. However, as the Head of State noted, with the growth of industrial production, the added value of products does not exceed 40%, which is due to dependence on imports, high energy consumption and excessive costs.

Therefore, 2024 has been declared the “Year of Efficiency and Cost Reduction in Economy” for all state-owned enterprises. From now on, support mechanisms in industry will primarily ensure the production of products that create high added value. At the same time, the activities of the heads of the economic block will be linked to monthly, quarterly and annual performance indicators (KPIs).

In conclusion, the economic industry in Uzbekistan is undergoing significant reforms to drive growth, attract foreign investment, and enhance the country's competitiveness on the global stage. The diverse economy, with a strong focus on agriculture, mining, manufacturing, and services, is being transformed through various initiatives aimed at modernizing and liberalizing key sectors. The agricultural industry, mining, service system in particular, plays a crucial role in Uzbekistan's economy, accounting for a significant portion of GDP and employment.

Overall, the ongoing reforms in Uzbekistan's economic industry are creating a more favorable business environment, attracting foreign investors, and driving sustainable growth. The government's commitment to liberalization, modernization, and diversification is positioning Uzbekistan as an attractive destination for investment and a key player in the region's economic landscape. With continued efforts and strategic partnerships, Uzbekistan is well-positioned to capitalize on its economic potential and achieve long-term prosperity.

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