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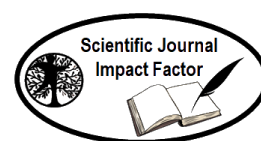
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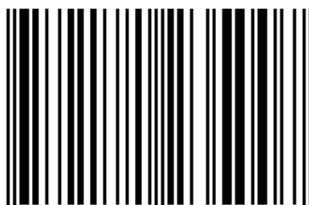
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**TRENDS IN UZBEKISTAN'S SOCIOECONOMIC DEVELOPMENT DURING
ITS YEARS OF INDEPENDENCE**

Abstract: *This article examines the stages of economic development in the Republic of Uzbekistan. Uzbekistan's continued socioeconomic growth is detailed, and the expansion of small company and private enterprise is evaluated. The current stages of economic development are presented. Uzbekistan's independence turned 31 years old. During these years, Uzbekistan itself has seen significant transformation, while the world surrounding it has undergone fundamental technological, economic, political, and geo-economic shifts. But one thing has remained the same: the commitment to reforms aimed at enhancing the economy's competitiveness and residents' living conditions.*

Keywords: *Economy, small company, development, national interests, international collaboration, extra-economic linkages, and liberalization of the economy are the key terms.*

**ТЕНДЕНЦИИ СОЦИАЛЬНО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ
УЗБЕКИСТАНА ЗА ГОДЫ НЕЗАВИСИМОСТИ****Абдуллаев, Алишер Махмудович***к.э.н., доцент,*



кафедра «Экономика»
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Аннотация: В данной статье рассматриваются этапы экономического развития Республики Узбекистан. Подробно описан продолжающийся социально-экономический рост Узбекистана, а также дана оценка расширению малых компаний и частного предпринимательства. Представлены текущие этапы экономического развития. Независимости Узбекистана исполнилось 31 год. За эти годы сам Узбекистан претерпел значительные преобразования, в то время как окружающий его мир претерпел фундаментальные технологические, экономические, политические и геоэкономические сдвиги. Но одно осталось неизменным: приверженность реформам, направленным на повышение конкурентоспособности экономики и условий жизни жителей.

Ключевые слова: Экономика, малая компания, развитие, национальные интересы, международное сотрудничество, внеэкономические связи и либерализация экономики являются ключевыми терминами.

МУСТАҚИЛЛИК ЙИЛЛАРИДА ЎЗБЕКИСТОННИНГ ИЖТИМОЙ-ИҚТИСОДИЙ РИВОЖЛАНИШ ТЕНДЕНЦИЯЛАРИ

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Аннотация: Ушбу мақолада Ўзбекистон Республикасида иқтисодий ривожланиш босқичлари кўриб чиқилган. Ўзбекистонда давом этаётган ижтимоий-иқтисодий ўсиш батафсил муҳокама қилиниб, кичик бизнес ва хусусий тадбиркорлик соҳасининг кенгайиши баҳоланади. Иқтисодий ривожланишнинг ҳозирги босқичлари келтирилган. Мамлакатимиз мустақилликка эришганига 31 йил тўлди. Бу йиллар давомида Ўзбекистоннинг ўзи муҳим ўзгаришларни, унинг атрофидаги дунё эса фундаментал технологик, иқтисодий, сиёсий ва геоиқтисодий ўзгаришларни бошдан кечирди. Аммо иқтисодиётнинг рақобатбардошлиги ва аҳолининг яшаш шароитларини оширишга қаратилган ислохотлар ўз ахамиятини йўқотмади.

Калит сўзлар: Иқтисодиёт, кичик компания, ривожланиш, миллий манфаатлар, халқаро ҳамкорлик, иқтисодий алоқалар ва иқтисодиётни эркинлаштириш асосий шартлардир.

Introduction

Today, few individuals recall the circumstances surrounding the establishment of an independent Uzbekistan. In the latter years of the Soviet Union, trains and ships collided and the government crumbled, and the country's order fell apart. Bloody battles happened in many former Soviet countries, but only in Uzbekistan were these conflicts





averted. It was perhaps the first time in the post-Soviet realm that it was possible to avoid the Osh scenario from playing out in a potentially volatile area - the Uzbek portion of the Fergana Valley.

The economic situation and standard of living were far from satisfactory. In 1990, the per capita output of national revenue in Uzbekistan was twice as low as the average level of the Union, and labour productivity in industry was 40% lower than the average level of the Union, while in agricultural it was twice as low. Per capita production of consumer products in the republic was 40% of the Union average. Nearly 45% of the population had an average total per capita income of less than 75 rubles per month, compared to less than 12% for the entire country.

With the fall of the Soviet Union, economic links began to deteriorate, production decreased, and living standards and social protection fell precipitously. Due to its geographical location, Uzbekistan faced the most challenging transport isolation conditions. In the shortest time possible, it was essential to establish national statehood, defense, diplomacy, a currency (which was established on 1 July 1994), energy and food safety, and to penetrate world markets, seas, and oceans with its goods.

In these difficult circumstances, it developed its own model of transition to market relations, taking into account the specific conditions and characteristics of the republic, its traditions, customs, and way of life. This model was based on the following five principles: the economy has priority over politics, the state is the main reformer, the rule of law, and strong social protection are implemented in stages. These ideas continue to underpin the ongoing reforms, which have enabled the country to avoid a number of economic and political shocks experienced by other post-Soviet nations.

In general, the reform approach chosen during the initial phase of independence has met expectations. In retrospect, according to a UNDP assessment from the mid-1990s, Uzbekistan was the first post-Soviet nation to stop its output drop and move toward economic growth. Uzbekistan had the smallest fall in output among the post-Soviet states. In the most challenging economic conditions, the level of social protection was greater than in other post-Soviet nations. While other post-Soviet nations were losing entire industries, Uzbekistan was building new ones from scratch, with the automobile industry serving as a notable example.

Prior to gaining independence, Uzbekistan had never produced its own automobiles. In 1994, the UzDaewooAuto joint venture was founded between the Daewoo Corporation of South Korea and Uzbekistan. Due to Daewoo's bankruptcy in 2008, the company was changed into a joint venture with American automaker General Motors. Today, this existing Uzbek company, UzAuto Motors, which is independent of external partners, continues to manufacture and export automobiles of various brands.

Main portion

New changes

One cannot deny, however, that by the middle of the decade, the development of the Uzbek economy began to stall due to excessive administrative regulation and closedness, which prevented the full utilization of market incentives for its development. Consequently, the newly elected President of Uzbekistan in 2016, Shavkat Mirziyoyev, initiated a new period of comprehensive changes in all aspects of life. In February of





2017, he approved the Action Strategy for Uzbekistan's five development priorities for 2017-2021. Improving state and social construction, ensuring the rule of law and reforming the judicial and legal system, developing and liberalizing the economy, developing the social sphere, ensuring security, and implementing a balanced and constructive foreign policy are among the most important aspects of the new phase. In the past few years, significant progress has been made in each of these fields. Observe a few of them.

Despite the adoption of the Concept of e-government development in Uzbekistan in 2004 for the purpose of enhancing public administration, considerable progress has not been made in this area until lately. Nonetheless, in December 2016, the President issued an order for the opening of virtual and people's reception halls in each district and city. And today, state electronic services in Uzbekistan are provided through the following: a single portal of interactive public services (EPISP), public service centers at the President's reception offices, public reception offices of the President of Uzbekistan, virtual reception offices of the President of Uzbekistan, a portal for discussion of draft regulations, official websites, and information portals of state bodies.

In the realm of economic reforms, the currency reform generated the most reverberation around the globe. The Presidential Decree "On Foreign Exchange Policy Liberalization" was published in September 2017, allowing legal businesses and individuals to freely convert foreign currency. Prior to that time, there were three separate exchange rates: the black-market rate, the exchange rate, and the Central Bank rate. As a result, currency exchange transactions were a major issue. Another important economic reform in 2018 was the tax reform, which drew particular attention due to the widespread discussion of the Tax Policy Improvement Concept. With the release of a new edition of the Tax Code in 2020, the primary phase of the tax reform was finished. During the course of the reform, taxes on labor were cut, the gap between the general and simplified tax regimes was erased, the system of tax administration was enhanced, and additional improvements were implemented.

During the course of the reforms, various administrative and bureaucratic obstacles to entrepreneurial activity were removed, a business-friendly climate was created, the necessary legal guarantees for business were supplied, and the state provided active support to entrepreneurs. In worldwide rankings, these changes were reflected. The total amount of foreign direct investment has increased despite ongoing policy adjustments (FDI),

Attractiveness of Uzbekistan rose from \$1.6 billion in 2018 to \$4.2 billion in 2019. Uzbekistan scored among the top twenty "global improvers" in the World Bank's Doing Business in 2020 report, thanks to a significant improvement in its standing over the past five years. At the same time, weak government progress in reducing the dominance of state monopolies in the economy, a lack of transparency in government procurement, growing concerns about protecting private property, and inadequate legislation to protect intellectual property rights have a negative impact on the investment climate in Uzbekistan. The tight legal and regulatory structure with its numerous bylaws, as well as the lack of competition and market access, prevents investors from pursuing potentially





lucrative business possibilities in Uzbekistan. The spread of COVID-19 has altered investment patterns and rendered FDI a globally competitive commodity.

Dietary safety

Providing food independence and food security is one of the most significant accomplishments in the history of independent Uzbekistan, which has taken on added significance in light of the pandemic's food-related issues.

On the eve of independence, the country imported an average of 3 million tons of grain, whereas only 2.038 million tons were harvested in Uzbekistan in 1990, resulting in a severe food scarcity. In 1989, for instance, 89.3% of respondents said they consumed insufficient quantities of meat items, 56.5% of dairy goods, 55.3% of sugar, 49.55% of sweets, and 17.5% of potatoes. In light of the necessity to ensure food independence, it was agreed in 1989 to allot more than 400 thousand hectares of irrigated land to homestead lands, whose area was later increased to 700 thousand hectares and used for food production. Since 1995, the area devoted to cotton has decreased drastically from more than 50 to 36.1%, and the area devoted to grain crops has climbed from 24 to 44-45% of the total area devoted to crops, providing food independence.

During the current era of economic development, a special focus has been placed on bolstering food security.

In January 2018, the Presidential Decree "On steps to further assure food security of the country" was published, establishing a series of measures to address challenges to the stability of the food market and to secure the supply of food. Food security is also a goal of the ongoing structural changes in agriculture. A shift to a cluster system of agricultural production with a high degree of processing in clusters of agricultural raw materials, the abolition of the state order system for cotton, and a reduction in the state order for cereals have been implemented as part of an agricultural reform. Cotton planting is decreasing, and as a result, 170.5 thousand hectares of irrigated land are being developed for the cultivation of cereals, vegetables, oil crops, orchards, and vineyards, and food production is increasing. In 2021, the index's ninth edition was published. The GFSI examines food availability, availability, quality, and safety in addition to natural resources and sustainability in 113 nations.

Uzbekistan's overall score declined by 0.7 points from 2019 and 2021, placing it at position 78 out of 113. During the epidemic, the success of food security in other nations had a significant reversal, which explains the improvement in ranking. The score allowed Uzbekistan to maintain its position within the group of nations with moderate food security. Economic structure alterations

During the period from 2017 to 2021, the government of Uzbekistan conducted a number of economic changes, including currency exchange rate reforms and international trade control, and liberalised prices for a variety of products and services. The government is now focused on eliminating structural obstacles to GDP development. For instance, underdeveloped factor markets and the predominance of state-owned businesses and banks in the economy.

The subsequent phase of socioeconomic reforms will result in a private sector that is larger and more competitive. This is required in order to dismantle an inefficient system





characterized by considerable state involvement in numerous economic sectors and the creation of few jobs.

Approximately 7.5% of Uzbek nationals lived below the World Bank's poverty level for lower-middle income countries in 2021. Many of them reside near to this line and have a high chance of dropping below it. One out of every six homes in the country has a member working abroad, primarily in Russia.

Initiated during the COVID-19 pandemic, reforms to enhance the provision of social assistance to residents will assist in expanding social protection coverage and labor market support programmes for citizens. These steps will aid in preventing a rapid increase in poverty throughout the nation. It is anticipated that Russia's invasion of Ukraine will reduce Uzbekistan's GDP growth to 3.6% in 2022. This is a result of the halving of migrant workers' remittances and their return to their home countries, record-high global oil and food prices, and disruptions in international trade logistics chains, investment inflows, and financial systems.

To prevent a rise in poverty among the populace, additional social protection and labor market assistance initiatives will be required. A tighter government monetary policy, higher earnings from commodity exports, and reduced spending on public investment in the economy will create budgetary space to fulfill present requirements and preserve macroeconomic stability.

In 2021, the Uzbek economy increased by 7.4%. Strong growth in the industrial and service sectors helped to ameliorate the still-weak growth in agriculture. Migrant workers' remittances increased again. However, it only partially offset the huge decline in gold revenue (down 29%). This resulted in an increase in the current account deficit from 5% of GDP in 2020 to 6.6% of GDP in 2021.

The deficit expanded from 4.5 percent of GDP in 2020 to 6.2 percent of GDP in 2021. Almost all of the funding came from external sources. However, they did not exceed the \$5.5 billion annual cap established by the government. Inflation continued to drop, averaging 10.8% in 2021 (compared to 12.9% in 2020). Inflation continues to be driven by higher domestic and international food and transportation expenses.

Reductions in government-subsidized lending and high real interest rates have slowed the growth of loans from 31% in 2020 to 18% in 2021. The banking system continues to function without interruption. The capital and liquidity buffers remain in excess of the statutory minimums. In order to limit dollarization of the banking sector, the Central Bank of Uzbekistan has increased the minimum reserve requirement on foreign currency deposits from 14% to 18% in 2021.

In 2021, the unemployment rate will be 9.6%, down from 10.5% in 2020. However, it has not yet returned to the 9 percent rate seen in the United States prior to the COVID-19 epidemic.

Prospects for economic growth

The war in Ukraine will reduce Uzbekistan's GDP growth to 3.6% in 2022, compared to pre-crisis projections of approximately 6%. The predicted 50% decline in migrant workers' remittances as a result of the lower ruble and the collapse of the Russian economy, as well as higher oil, wheat, and vegetable oil costs, will have a significant negative impact on private consumption growth. Given the considerable dependence of





the national economy on Russian capital imports and bank financing of public and private investment projects, it is anticipated that investment inflows will also decelerate.

Even though Uzbekistan will profit from strong global commodity prices (gold, copper, and natural gas), it is anticipated that a decline in remittances of up to 6 percent of GDP will expand the current account deficit to 10 percent of GDP in 2022. In addition, foreign direct investment inflows will be restricted in general in 2022. The recovery will require time.

In turn, the increased current account deficit will be covered by fresh external borrowings from the government and the utilization of international reserves.

In 2022, it is anticipated that the government deficit will decline to 4% of GDP. The anticipated fiscal consolidation in 2023 will likely be delayed. The public debt is expected to peak at 42 percent of GDP in 2022-23. By the end of 2024, it should level off at approximately 40% of GDP.

Surpassing transportation isolation

The inherited nature of Central Asian borders did not ensure transport security for a sovereign state, as products had to be transported via neighboring nations. This issue was resolved by the construction of new railways and roads across mountain passes leading to the Fergana Valley and the Surkhandarya region. Uzbekistan is now self-sufficient in terms of transport; thus it is no longer necessary to cross international borders for internal shipments, which was previously exceedingly inconvenient for the nation and its people.

Throughout its years of independence, the country has established a well-developed network of trains and motorways, as well as international airports to accommodate its international and transit traffic requirements. And the country's internal highways are becoming more comfortable to travel on, with high-speed trains connecting the nation's main cities into a unified network.

Tashkent's roadways and new traffic interchanges, as well as the city's general appearance, bear little resemblance to what they were prior to Uzbekistan's independence. Practically, it is a new city that accommodates international events with success.

Moreover, the separation of Uzbekistan from the oceans by at least the borders of two states substantially raises the cost of transportation, consequently increasing the price of imported and exported goods. As a result, the policy of establishing the most efficient transport routes for cargo transportation was given special consideration, and there have been significant shifts in the movement of commodities since independence.

The Soviet Union exported Uzbek cotton to Russia, Uzbek gas to the "center" (the gas pipeline was named "Central Asia-Center"), and from there, to a lesser extent, to Europe. From Russia, Belarus, and Ukraine, machinery and equipment were being shipped to Uzbekistan. In the 1990s, it was necessary to maintain the functionality of transport corridors to external markets via the Baltic States and the Far East, as well as to open new corridors for Uzbek goods, because the capacity of markets along inherited corridors was rapidly declining due to the general decline in the economy and standard of living in the post-Soviet region. Uzbekistan's economy also required new, modern equipment, which the CIS industry could no longer provide, nor could it afford to pay the global price for Uzbek cotton.





In this context, new transport corridors in the direction of Europe through Iran (the Mashhad-Seraskh-Tejen highway, which connected the Central Asian and Iranian railways) and Transcaucasia (the TRACECA trans-Caucasus railroad) were quickly put into operation in 1996, allowing Uzbek cotton and other goods to be transported to Europe. In particular, I recall the anecdote of one of the respondents to Economic Review magazine who accompanied the initial shipment of Uzbek cotton through the TRACECA route. He described how difficult and morally challenging it was to drive through Georgia, where the war had just ended and the smoldering wreckage along the way were still visible.

Nevertheless, time did not stand still, and the global economy was undergoing a huge transformation. The European industrial sector was relocating to Asia and no longer required major quantities of cotton and other raw materials. Asia, led by China, was undergoing fast economic growth, necessitating an increasing demand for raw commodities. The establishment of a full-fledged transport corridor to Persian Gulf ports via Iran paved the door for Uzbek commodities to reach South and South-East Asia, with the majority of Uzbek cotton bound for this region.

As a result of the global financial crisis, gas prices in Europe as a whole fell from their prior record highs. This posed a difficulty for Russia's gas imports from Central Asia, as it was already supplying Europe with sufficient quantities of its own gas. And natural gas flow is reversed. Turkmen and subsequently Uzbek gas were the first to reach China.

The distribution of machinery and equipment shipments to Uzbekistan has also shifted geographically. In the nineties-zero, Western sophisticated equipment eliminated supplies of poorly competitive CIS products. However, the situation has changed. First, the equipment and machinery manufactured in the West are extremely expensive, and second, they require costly maintenance, which limits the profitability of their usage in the home industry. As was the case, for example, with the American cotton harvesting "Cases," which were swiftly rendered obsolete. Numerous types of machinery (cars, buses) are now produced locally in Uzbekistan, and the importation of machinery and equipment is primarily driven by the need to master and implement new technologies.

Uzbekistan currently has reliable transport channels in all directions, including to the Baltic and Russian Far East ports, Chinese ports in the Pacific basin and Iranian ports in the Indian Ocean, as well as transit access to the European market. Nevertheless, efforts to optimize transportation corridors continue. On the agenda are the implementation of projects for the shortest railway to China via Kyrgyzstan, as well as the building of transport communications via Afghanistan to Pakistan and India, which are currently being vigorously pursued.

Social policy

In the initial era of Uzbekistan's transition to a market economy, social protection for the entire population was implemented on the basis of the necessity for substantial social protection; subsidies and benefits were applied equally to the entire population. However, this was accompanied by the reality that wealthy families also received subsidies and benefits. As a result, an emphasis was placed on targeted social support of the population, in which assistance was provided to families in genuine need. At the time,





the most significant societal impact was the 1993 law on the privatisation of state housing, which allowed residents to obtain full ownership rights to their house and thereafter dispose of it as they saw appropriate.

Since the commencement of the current phase of reforms, the strengthening of social security for the populace has received special emphasis. For the first time, the presence of poverty in the country was acknowledged by the head of state, and systematic and comprehensive efforts to eradicate it and increase social protections for the populace were initiated. In order to achieve this objective, the Ministry of Economic Development and Poverty Reduction and the Ministry for the Support of the Mahalla and the Family were established. The transition from previously poorly focused and effective institutions for material help distribution to systemic solutions based on digital technology has begun. Through door-to-door household visits, the actual problems and living conditions of particular families were identified.

On the basis of door-to-door visits, a registry of poor families, taking into account their issues, and the so-called "Iron Notebook" are compiled, which provided the basis for a tailored program of poverty reduction and social support. On the basis of these data, the "Single Register of Social Assistance" Information System, which offers a transparent, real-time evaluation of the degree of need of families and the eligibility of applicants, was implemented last year. Consequently, the social support system became entirely visible. In addition, as of January 1, 2021, the list of documentation required to get state social services and aid was significantly reduced.

Implementing targeted programs for the building of cheap housing and the development and modernization of road transport, engineering, and social infrastructure in order to enhance living conditions is an additional significant aspect of social support. In order to improve living conditions and amenities in rural areas, the Obod Qishloq and Obod Mahalla programs are implemented. Those in need of improved home conditions receive mortgage loans with favorable terms. In both urban and rural locations, affordable housing is being created. The provision of clean drinking water in rural areas is given considerable consideration.

Conclusion

It is impossible to discuss social policy without mentioning health care, education, and science, which are essential to human development and the improvement of human capital. If in the early years of independence, the national systems of health care and education were established, in recent years the emphasis has been on their radical reform, which aims to increase the quality of education and health care to world standards.

The globalization of the labor market, which has made it imperative for Uzbekistan to join the global educational space, which entails bringing the quality of education up to modern world standards, has been one of the primary reasons for revamping the education system in Uzbekistan since 2017. As a result of improvements in this field, Uzbekistan's system of continuous education today encompasses prekindergarten, general secondary, specialized secondary and vocational, higher and postgraduate education, as well as out-of-school education and the system of professional development and retraining.

The establishment of Presidential schools and children's music and art schools across the nation for exceptionally brilliant children is already underway. In institutes of





higher education, international teaching and grading standards are being implemented. Educational procedures already make considerable use of digital technology, which was aggressively supported by pandemic-related quarantine limitations when schools and universities taught online.

Innovative endeavors are stimulated aggressively. Higher education institutions and research institutes are in the process of establishing specialized laboratories, high technology centers, and technoparks, which facilitate the implementation of scientific and inventive advances. Numerous technoparks for the development of digital technologies have been established and are currently operational, with the intention of playing a significant role in the digitalization of the economy and other fields of endeavor.

First, primary care, emergency care, and urgent medical care are being modified within the healthcare industry. Active work is being performed on the digitalization of medical services and the implementation of a single electronic medical record, which will make it possible to store online a comprehensive history of a patient's sickness and treatment. A great deal of emphasis is also placed on preventative measures to reduce the incidence of disease, including the promotion of a healthy lifestyle and the reduction of infant and child mortality. The health sector has played a vital role in battling the coronavirus epidemic, making Uzbekistan more effective than the majority of nations.

The worldwide rankings have also reflected Uzbekistan's strong social policies in recent years. Thus, in the Human Development Index-2022, compiled annually by the UNDP, Uzbekistan ranked 89th out of 154 countries with a score of 0.017 and improved its ranking by 5 positions, which, according to the index methodology, allowed it to move into the category of countries with a medium quintile of industrial development.

According to the index report, there were positive improvements in six out of eight indicators as a result of the ongoing reforms and industrial development in our country, while two indicators experienced a fall. Uzbekistan's foreign trade turnover climbed by 16% in 2021, hitting \$42.1 billion, compared to the previous year. The number of exports climbed by 10% to \$16.6 billion, while imports increased by 20.4% to \$25.46 billion from the previous year. The export structure was dominated by manufactured products, particularly copper and steel, which surpassed gold.

Taking into account the existing sectoral structure of exports (predominance of gold, natural gas, minerals, and horticultural products), as well as the correspondingly established relations with the principal buyers of export products, the future development of the export-oriented economy of the country should be based on the expansion of the exports' nomenclature and geography. China is the largest purchaser of Uzbek commodities in East Asia. China is interested in raw materials and food products, but not those with a high degree of processing and a high added value (except for agricultural products). Certainly, it is possible to diversify exports and grow sales on the markets of the European Union and Asia-Pacific region, but the dynamics of the Uzbek economy over the past few years indicate that these markets play a subordinate role. In other words, the export expansion plan should be focused on identifying possible areas of the market for high-value-added commodities in the Commonwealth of Independent States, Eastern Europe, and neighboring countries that could be occupied by Uzbek goods.





In conclusion, it is important to note that 30 is the age at which a person reaches adulthood. In relation to the nation, this age is more akin to that of youth. During this period, however, the generation that laid the foundation for the country's freedom and endured its most terrible moments in history is departing. Simultaneously, a new generation born and raised in independent Uzbekistan is actively entering adulthood. And fewer and fewer individuals recall what life was like prior to independence and how tough it was to construct a new state. All of this must be recognized, if not remembered, for these were the years in which the basis of independence was laid. And this understanding will aid in appreciating the present more and avoiding future errors that, let's not be deceived, occurred throughout specific stages of our nation's independence.

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