

**ACHIEVEMENTS OF THE NEW UZBEKISTAN IN POLITICAL,
ECONOMIC AND SOCIAL SPHERES**

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Annotation: This comprehensive article provides a detailed overview of Uzbekistan's transformative reforms and progress across various sectors. Politically, it covers initiatives aimed at enhancing governance, increasing transparency, combating corruption, and advancing democratization. Economically, the analysis focuses on market liberalization, the attraction of foreign investment, industrial diversification, and the modernization of infrastructure. Socially, it examines improvements in healthcare, education, social welfare, and the promotion of human rights, including women's rights and civil liberties. Additionally, the theme addresses Uzbekistan's efforts in sustainable development, environmental policies, and technological innovation. It also highlights the country's strides in international relations, cultural preservation, and youth empowerment. This comprehensive review underscores Uzbekistan's journey towards becoming a more open, progressive, and prosperous nation, reflecting its commitment to significant and sustainable development.

Key words: Uzbek model; Economic Ties - Trade partnerships, foreign investment, bilateral trade, cross-border trade; Technological Cooperation - Technology transfer, genetic breeding center, modernization; Foreign Investment - Indian pharmaceutical investment, EBRD trade finance, Asian Development Bank loan; Sectoral Development - Pharmaceuticals, healthcare, ICT, agriculture, chemicals; Free Trade Zones - Border areas, visa-free access, customs regulation; International Institutions - EBRD, Asian Development Bank, World Bank; Privatization - Indorama Holdings, state-owned companies, industrialization policy; Agricultural Modernization - Productivity increase, export growth, employment opportunities; Economic Policy - WTO membership, EAEU observer status, multilateralism, regionalism; Human Capital - Education investment, research and development, knowledge-based economy.

Selection of development path, most loyal to our country and known worldwide as the Uzbek model, was an important milestone in the history of independent Uzbekistan.

It led to a follow-up processes of large-scale work towards achieving political and economic independence, a new stage in the history of national statehood.

The basis of this model of building a democratic state and civil society have laid down five principles of transition to a market economy. Priority of economy over politics, placing the state as main reformer, rule of law, strong social policy, phased and evolutionary reforms are among them.

In order to ensure the effectiveness of this approach, it is necessary to trace achievements of our country over the years of sovereign development.

Thus, thanks to the gradual implementation of reforms Uzbekistan became the first among CIS countries to overcome the decline of 90s, and in 1996 achieved positive economic growth, which has been accelerated dramatically in recent years not due to favorable world prices for raw materials, but on the sound basis of diversifying economy, implementation of structural reforms and active investment policy.

The country has achieved dramatic changes in dynamics and structure of economy, development of production and export capacity, social sphere, level and quality of life. Suffice it to say that between 1990 and 2014 republic's GDP at purchasing power parity increased by 6.3 times – from 27.1 up to 171.416 billion US dollars, and its growth rates over 11 years remain at around 8%.

The national economy has changed quantitatively and qualitatively. The proportion of industries and services has been consistently increased in the structure of GDP. In turn, through the optimization of structure of sown areas and increase in productivity. At the same time country achieved enormous progress in the sphere of food security. Today, republic's agriculture not only covers domestic demand for food products, but also provides significant expansion of export capacity.

We must not forget that in the last twenty years the world economy has experienced a number of shocks, including - the global financial crisis of 1997-1998, many sharp declines in stock and commodity markets, as well as the global financial and economic crisis that began in 2008 and lasted until present. However, even in these difficult conditions, our economy has demonstrated its reliability and resilience to external shocks, while implementation of timely and targeted anti-crisis program has created new opportunities for modernization of production and increase of competitiveness of exporters.

Country Context:

Uzbekistan

2023

Population, million	36.2
GDP, current \$ billion	90.9
GDP per capita, current \$	2,510.1
Life Expectancy at Birth, years	70.9

Uzbekistan has undertaken extensive reforms in recent years, liberalizing certain economic sectors and enhancing the private sector's prospects.

In 2023, the Government made several key moves, such as (i) establishing an independent energy regulator; (ii) initiating energy tariff reforms, (iii) restructuring the state-owned rail operator; (iv) privatizing a major chemical plant and a bank; and (v) separating the leading chemical state-owned enterprise to foster competition.

Furthermore, the authorities set up the National Agency for Social Protection, enacted new laws to tackle gender-based violence, and broadened the availability of free legal aid to citizens.

Uzbekistan has also embraced a greener development trajectory by setting more ambitious environmental goals, implementing a new pollution control system, and establishing a national green taxonomy. The Government continues to invest in new sources of green energy and takes further measures to enhance efficiency both in the use of electricity and water adapting to climate change.

Given the high rate of population growth and the influx of young people into the job market annually, the country's economic expansion must focus on robust job creation. Continuing the reform agenda is crucial for this, which includes further market liberalization and enhancing competition.

Key strategies involve diminishing the economic influence of state-owned enterprises, fortifying land rights, deregulating the telecommunications sector and the trade of raw materials, and reducing elevated trade costs by improving logistics and connectivity. Additionally, to spur faster job creation and productivity, there is a need for more investment in enhancing the skills of the labor force.

The government has also pursued regional diplomacy by engaging in constructive relations with neighboring countries and seeking regional cooperation.

Moreover, Uzbekistan has been implementing economic reforms to attract foreign investment, diversify the economy, and reduce the role of the state in the market. These reforms have focused on privatization, reducing bureaucratic hurdles, and promoting entrepreneurship. Efforts are being made to improve the business climate and attract foreign companies to invest in various sectors, such as agriculture, energy, infrastructure, and textiles.

In addition, Uzbekistan has been pursuing social reforms to improve citizens' well-being and living standards. There have been efforts to enhance education and healthcare systems, provide social support programs, and invest in infrastructure development. Uzbekistan has also sought to promote cultural heritage and tourism, with initiatives to preserve historical sites and promote the country as a tourist destination.

After decades of isolationism and resistance to openness, Uzbekistan revised its economic policy under new president Shavkat Mirziyoyev since 2017. The new government implemented comprehensive reforms, in particular unified the exchange rate and liberalized the foreign exchange market, began price and trade liberalization, and made significant cuts to tax rates for both firms and individuals from January 2019 [World Bank, 2019]. At the same time, the country revised trade, integration, agricultural and industrial policies. Therefore, this commentary aims to review basic outcomes and achievements of Uzbekistan's open economic policy.

New policy of Uzbekistan aims to strengthen its economic cooperation with advanced countries. Uzbekistan and South Korea have interests in becoming strategic partners. South Korea refers to Uzbekistan as a key state in its plans to expand its role as a player in Central Asia. South Korea is one of the top five partners of Uzbekistan's imports. It should be noted that the country's economic ties with Uzbekistan have largely been government-led, while relations with other Central Asian states are mainly driven by the private sector. During Mirziyoyev's visit to Seoul, the parties signed deals totaling almost \$9 billion. Moreover, South Korea agreed to assist Uzbekistan in its efforts to accede to the World Trade Organization (WTO) [Rinna, 2017]. At the same time, bilateral relations between Uzbekistan and the United States (US) started to improve. In 2019, the US was in the list of 10 main trade partners of Uzbekistan. During one of the videoconferences with participation of officials and business circles of both countries, Uzbekistan asked the US to remove it from the Jackson-Vanik Amendment, which restricts trade with countries that discourage emigration and violate other human rights [New Europe, 2020]. Later the government of Uzbekistan called the Cotton Campaign to lift the cotton boycott, which was in place since 2006. According to the government's open letter, economic and social costs of the boycott are high. This lift would be essential under the current situation in Uzbekistan. In particular, since the country's lockdown began, nearly 150 thousand citizens have lost their jobs, more than 200 thousand people have fallen below the poverty line and 140 thousand migrant workers returned to Uzbekistan and have no sources of income. Uzbekistan implemented concrete steps in order to lift the boycott, in particular criminalized forced labor [Pikulicka-Wilczewska, 2020].

Uzbekistan also deepens its economic ties with more technologically advanced developing countries. According to the Ambassador of India to Uzbekistan, ongoing

reforms in Uzbekistan stimulate India's business to be involved and invest in different sectors, including pharmaceuticals and healthcare, information and communication technology and agriculture. Indian pharmaceutical company, Cadila, has announced an investment of \$50 million in a pharmaceutical plant in the Andijan region of Uzbekistan. The countries plan to increase bilateral levels of trade from current \$325 million to \$1 billion [Seyfaddini, 2020]. Uzbekistan and Belarus agreed to cooperate in establishing a genetic breeding center in Uzbekistan, which is important as 90% of cattle are kept in private farms and the country buys breeding stock abroad in significant volumes. In 2019, the country's imports of cattle amounted to \$122.5 million and doubled compared to 2018. Cooperation will increase employment and enhance transfer of technology [BelTA, 2020].

It is important to note that Uzbekistan proposes new schemes of cooperation to its Central Asian neighbors, with some of which it has border and water disputes. The country plans to set up free trade zones on the border areas with Turkmenistan and Kyrgyzstan. Through the zones, authorities of Uzbekistan aim to facilitate cross-border trade, develop modern forms of international and regional wholesale and retail trade and logistics services. The zones will have special regulation, in particular in terms of customs issues. Citizens of the bordering countries can benefit from the zones, as they will be granted visa free access to the zones for 5 days [AKIpress, 2020a]. Such kind of cooperation based on economic interests can resolve many Central Asian regional problems.

Uzbekistan also strengthened its cooperation with international financial and development institutions. This cooperation became important since pandemic induced lockdowns in Central Asia. The European Bank for Reconstruction and Development (EBRD) provides a \$150 million trade finance facility for three banks of Uzbekistan. This package aims to mitigate trade and supply chain disruptions. Moreover, the EBRD is working on the launch of a larger assistance package compared with the previous one. In Uzbekistan, the bank has 79 projects and its gross investment reached €1.85 billion [Murray, 2020]. Due to pandemic induced strict lockdowns, which hurt businesses and led to a surge in unemployment, Uzbekistan experiences lower economic growth this year. As a result, in order to mitigate consequences of economic shocks the country decided to borrow money from the Asian Development Bank. The bank approved a \$500 million loan to Uzbekistan. This aid can support the social sector of the country [Reuters, 2020]. Uzbekistan also attracts loans and financial assistance in order to support its industrialization policy. Recently, the EBRD and the World Bank agreed to finance modernization of JSC Indorama Kokand Fertilizers and Chemicals, which was formerly known as the Kukon Superphosphate Factory. Indorama Holdings, a wholly owned subsidiary of Singaporean Indorama Corporation, acquired this state-owned company in 2019. By such kind of privatization, the government plans to

restructure the chemicals sector and increase its competitiveness. Modernization through introducing energy-efficient equipment will help the company to increase its annual output of fertilizers threefold to 350 thousand tones and assist the growth of the agricultural sector in Uzbekistan. The company will create equal employment opportunities and increase the female share of the workforce to 25% [AKIpress, 2020b]. Recently, the World Bank approved a \$500 million loan to Uzbekistan for agricultural modernization projects under the implementation of the Strategy for the Development of Agriculture in Uzbekistan for 2020–2030. The government expects that agriculture may become one of the engines of the country's economic recovery and the new project will help farmers to increase productivity and export of their products. The share of agriculture in Uzbekistan's GDP is 28%, and the sector employs 27% of the country's workforce. Moreover, its share in total exports is 10%. To date, the World Bank has 23 projects in Uzbekistan totaling \$4.4 billion, which is the largest operation in the Europe and Central Asia region after Turkey [UZDaily, 2020].

Changes of Uzbekistan's trade policy are significant. The country revised its attitude towards both multilateralism and regionalism. It announced its readiness to join the WTO. In April 2020, the parliament of Uzbekistan with a majority vote approved the government's proposal to become an observer state to the Eurasian Economic Union (EAEU). This status allows Uzbekistan to participate in open EAEU meetings when invited by the members and receive non-confidential documents [Hashimova, 2020]. Thus, revision of economic policy, cooperation with developed and technologically advanced developing countries and its Central Asian neighbors, partnership with international development institutions brought Uzbekistan economic opportunities. Availability of labor, capital investment and openness can stimulate economic growth and development. However, the country should focus on development of human capital, provide higher investment in research and development and build strong political and economic institutions. These factors are the foundations of the knowledge-based economy, which can transform resource dependent economies, diversify sources of income and, consequently, significantly reduce economic and political risks.

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