

## **FEATURES OF ECONOMIC DEVELOPMENT AND LIBERALIZATION IN UZBEKISTAN**

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### **ABSTRACT**

*After studying the market and its structure, content and characteristics of a market economy, its advantages and disadvantages, the question arises whether it is now necessary to move to a market economy. The article discusses the main directions of the formation of a market economy, macroeconomic and financial stabilization, the principles and features of the transition to a market economy in Uzbekistan.*

**Keywords:** *market, economy, macroeconomic and financial stabilization, monopoly and competition, strategy.*

### **АННОТАЦИЯ**

*После изучения рынка и его структуры, содержания и характеристик рыночной экономики, его преимуществ и недостатков возникает вопрос, необходимо ли сейчас переходить к рыночной экономике. В статье рассматриваются основные направления формирования рыночной экономики, макроэкономической и финансовой стабилизации, принципы и особенности перехода к рыночной экономике в Узбекистане.*

**Ключевые слова:** *рынок, экономика, макроэкономическая и финансовая стабилизация, монополия и конкуренция, стратегия.*

### **INTRODUCTION**

Currently, most countries prefer market economies over other economies.

*The main directions of the formation of a market economy*

Liberalization of the economy. Liberalization is a system of measures aimed at drastically reducing or eliminating barriers and restrictions in all spheres of economic life, as well as state control.

### **RESULTS AND DISCUSSION**

*It applies to the entire economy and includes:*

- the abolition of the state monopoly on the implementation of economic activities;
- stop the centralized distribution of resources;
- transition to the formation of prices based on the ratio of supply and demand;

- reduction of state control over transactional operations in the domestic and foreign markets.

- Demonopolization of the economy and the creation of a competitive environment

*This direction requires the implementation of the following processes:*

- creation of equal opportunities and conditions for the activities of all economic agents;

- permission for foreign competitors to enter the market;

- removal of administrative barriers for the development of small businesses, support through the provision of soft loans and reduction of barriers to access to the network;

- regulation of the price and commodity policy of natural monopolies, etc.

*Institutional change*

- These changes relate to the following areas:

- changes in property relations, including the creation of a private sector;

- formation of market infrastructure (commercial banks, commodity and stock exchanges, investment funds, etc.);

- creation of a new system of state regulation of the economy;

adoption of economic legislation in accordance with market conditions, etc.

*Structural changes.*

Structural changes are primarily aimed at mitigating or eliminating imbalances remaining from the previous system in the structure of the national economy and its individual sectors. The main goal of restructuring the economy is to develop the production of products that are in demand on the domestic and foreign markets.

*Macroeconomic, mainly financial stabilization.*

In fact, this process is not part of systemic reforms, as it is often carried out even in countries with stable market economies. The importance of this direction is due to the fact that the crisis of the administrative and managerial system manifests itself, first of all, in the financial sector, especially in the form of high inflation. The prolonged existence of inflation prevents the normalization of market relations, therefore, its elimination is very important for an economy in transition. The system of macroeconomic stabilization measures includes limiting the emission of money, reducing the state budget deficit, ensuring a positive interest rate, and others.

Formation of a system of social protection of the population, suitable for a market economy.

This system is aimed at providing clear social support to a relatively low-income segment of the population.

The completion of the formation of these key elements of the market system indicates the end of the transition period.

### **Principles and features of the transition to a market economy in Uzbekistan**

Although the goal of moving from a centralized command economy to a market economy is the same, different countries may take different paths. It is well known that there are two paths of transition from one system to another: revolutionary and evolutionary. Poland, Czechoslovakia, Russia and other Roman countries chose the revolutionary path of transition to a market economy, the path of sudden major upheavals. In other words, they used a technique called numbness treatment. To achieve this goal, Russia has developed transition programs called "300 days" and "500 days". These programs began to be implemented quickly. In doing so, they forgot about the longer transition period from one system to another. As a result, production in these countries has plummeted, many factories have closed, unemployment has risen, the value of money has plummeted, economies remain stagnant, and people's lives have deteriorated.

Therefore, Uzbekistan chose a different path instead. Taking into account the unique cultural, historical, economic and natural features of Uzbekistan and the world experience in this direction, this path will be gradual, but firm, without revolutionary upheavals, social conflicts, strengthening of social protection. market economy.

Moreover, the transition to market relations is not limited to changing sectors of the economy. This requires radical changes in all interrelated spheres of public life, including political, spiritual, moral, everyday and others. All this shows that the idea of a gradual, evolutionary transition to a market economy is very important and preferable.

The implementation of the principle of a gradual transition to market relations requires a clear delineation of the main stages of economic reform, the definition of specific goals for each of these stages, the means of achieving them.

### **Features of economic development and liberalization**

In the chapter "Priorities of economic development and liberalization" of the Strategy, protection of the rights and guarantees of private property, complete freedom of private entrepreneurship and small business, prevention of illegal interference in their activities, further expansion of the privatization of state property, in particular, attention is paid to reducing state participation in the statutory funds of

economic entities, creation of favorable conditions for the development of private entrepreneurship on the basis of privatized state property, reduction of state participation in the socio-economic development of the country.

In the process of transition to a market economy and deepening of market relations in our country, liberalization, democratization of all spheres of social, political and economic life, acceleration of structural changes in the national economy are the main driving forces of macroeconomic equilibrium. Thanks to the principles of liberalization, economic growth in our country has been stable for a number of years. In particular, last year GDP growth was 5.3%.

The liberalization of the economy in Uzbekistan is carried out through denationalization and privatization of enterprises, demonopolization and development of competition, large-scale development of small business and private entrepreneurship in all sectors of the national economy. Liberalization as a continuous ongoing process will continue to improve. It can be guaranteed by the development of small business and private entrepreneurship, family entrepreneurship, consistent implementation of the program "Every family is an entrepreneur." In some cases, the state can "revive" "weary" private and public property, and then sell it to private hands.

According to the State Statistics Committee of the Republic of Uzbekistan, 81% of GDP is produced by the private sector and 19% by the public sector. The share of the private sector in the gross output of agriculture, retail trade and public catering is approaching 100%. More than 80% of the employed population works in this system.

At the first stage of the transition to market relations in Uzbekistan, retail trade and public catering enterprises, housing services were sold to private hands on a preferential and free basis. The aim was to develop and strengthen market skills among the population. At the second and third stages, medium and large enterprises were denationalized. As a result, joint stock companies, state-owned companies and associations arose.

No matter how perfect the market is, it cannot solve all problems. He cannot provide an economic balance without government intervention. This was clearly shown by the lessons of the global financial and economic crisis that began in 2007-2008. The market alone cannot create a mechanism of equal interest rates, prices and incomes. Maintaining a balance between consumption and savings can be ensured through government participation and micro-level control. The same two things have a unique opportunity to increase production and income.

Gradual liberalization began to yield positive results during the transition period. By the mid-1990s, gross industrial output and then gross domestic product had returned to pre-market levels. During the years of the global financial and economic crisis, the economy continued to grow. Economic efficiency is ensured by deepening reforms, structural reforms, modernization and diversification of production, development of small business, ensuring the priority role of private property, and gradual reduction of state participation in the economy.

More than 30 thousand small enterprises are created in our country every year. The share of small business in GDP reached 56.9%, and in industrial production - 45%. The share of income from entrepreneurial activities was 52%.

Over the past two years, the state's share in 378 joint-stock companies has been put up for sale. It should be noted that relatively successful joint stock companies, such as Navoiyazot, Ferganaazot, Urgench excavator, Kyzylkumcement, Jizzakh battery plant, Kokand oil and gas plant, Alokabank, are put up for auction in state-owned blocks of banks such as Turonbank and Uzagrosugurta. sale. What does it do?

First, the sale of the state part of joint-stock companies brings wax money to the treasury. Secondly, the hand of the state is somewhat freed from economic activity. Third, the business environment in the country is expanding. The state, landowners and ordinary people will benefit from this. Most importantly, deepening market reforms requires this.

The monopoly position of the state in hydrocarbons, non-ferrous metals, uranium mining, railways and highways, air transport, electricity generation, electricity and utilities should be preserved. Denationalization and privatization of state assets in other areas will continue. The privatized state property is sold to foreign investors. In particular, hundreds of property complexes were sold to new owners at a price of "0" on a competitive investment basis. They have pledged to invest and create thousands of jobs.

The process of economic liberalization should not be the ultimate goal. It would be better if the speed of liberalization, the quality of economic growth, and the standard of living of the population were equal. According to forecasts of economic growth, Uzbekistan is one of the fastest growing countries in the world. Having achieved the Millennium Development Goals, he has also become a leader in food security. In the current environment, these figures are much higher. Since the global financial and economic crisis has not yet been fully resolved, the use of sanctions and embargoes by each other is increasing. At the same time, external demand for essential goods decreases, prices fall, and supply exceeds demand. Such external



economic and political instability, of course, will inevitably have a negative impact on the country's economy.

To reduce the state's involvement in the economy, the State Property Privatization Program will liquidate state-owned enterprises that are not operating at full capacity and transfer them to new private owners through open auctions, completely sell non-strategic and unused state shares. reduction of the state shareholding to 51% due to the sale of shares on the stock market and other measures. At the same time, the mechanisms for carrying out these activities have been improved. In particular, the timeframe for the sale of state property has been shortened; in the event that state property is not in demand at an auction within two months, their price is reduced to 50%, and every 15 days - by 10%, and in case of non-sale. , sell at "0", Discounts in the amount of the Central Bank's annual refinancing rate, sale of state-owned enterprises in installments, benefits on payments when buying remelting, giving preference to the sale of state-owned enterprises to tenants, proceeds from the sale of state shares in the authorized capital of economic bodies can be used to modernize enterprises and etc.

Liberalization of foreign exchange and foreign trade markets is one of the important links in the liberalization of the economy and requires significant changes in the monetary policy of the state. Monetary policy is an instrument implemented by the state or its Central Bank by increasing or decreasing the money supply in order to influence the macroeconomic situation. These policies include interest rates and exchange rates, balance of payments, control over them, containment of inflation, increase in general employment, adjustments to price levels, and other measures. In the American language, monetary policy is a coin toss.

In accordance with the Action Strategy, on September 2, 2017, the President of the Republic of Uzbekistan signed a decree on the liberalization of monetary policy. Its main goal is to create a level playing field for all market participants with a single official exchange rate instead of different market exchange rates. The enterprise and the population have the opportunity to freely buy foreign currency. This radical approach worried even the most knowledgeable economists: what will happen now, whether the doubling of the national currency will lead to a new round of inflation. Today, the population strives to return to "dollarization" and prefers to receive remittances in national currency.

This trend could continue, adding value to the word. So why today the som is strengthening its positions, there is no hyperinflation. Because, firstly, the intervention of the Central Bank in currency exchange also plays a role in the

depreciation of the dollar. This instrument also has a direct impact on the exchange rate, which is common in the practice of most countries. This situation is "neutral" and does not lead to a sharp reduction in the country's gold and foreign exchange reserves. Second, and most importantly, the uncertainty in the foreign exchange market, the fact that influential exchange rates fluctuate every day, every hour, heightened the excitement, that is, noisy demand among the population. Now, under the guarantee of the President and the Central Bank, clarity and transparency have been introduced in the foreign exchange market. Today, an Uzbek tourist, businessman, student or patient can withdraw any currency from an ATM, as well as any amount of cash on a conversion card, while abroad.

Liberalization is difficult in any sector of the economy and requires certain conditions. Currently, the country maintains macroeconomic stability and investment activity, and the implementation of government programs for economic growth is accelerating. The tax and banking systems are being reformed, and administrative barriers to doing business and exports are being removed. All this serves to improve the monetary system, liberalize the industry.

Liberalization of the foreign exchange market also has a positive effect on foreign trade. Increasing competitiveness in this area, supporting export enterprises, stimulating export activities of farms, small businesses and private entrepreneurship, improving the system of incentives for them, simplifying customs procedures and tightening the terms of foreign trade operations. measures.

## **CONCLUSION**

One of the main obstacles to the development of the export of national goods and services was the artificial retention of the value of the official exchange rate at a high administrative level. In other words, the illiberalization of the foreign exchange market will reduce the competitiveness of national goods and services in foreign markets, which will lead to a high share of raw materials in exports. Now the country is moving from an export-oriented foreign economic model to an increase in the share of non-primary goods in exports, institutional restructuring of the industry and, ultimately, to an import-substituting model. The experience of the development of the newly industrialized Asian countries of the Pacific region is similar. But export-oriented production requires competitive products. This requires the introduction of imported machinery and equipment, new equipment and technologies. If it does not enter from the outside, it cannot be removed. This is the order of the market economy. The economy is like a two-way highway. In general, the only way to eliminate all risks is to accelerate economic growth and increase production.

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