

## The Economy of Uzbekistan

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### Abstract

Since independence, the economy of Uzbekistan continues to exist as a Soviet-style command economy, with a slow transformation to a market economy. The progress of governmental economic policy reforms has been cautious, but cumulatively Uzbekistan has shown respectable achievements. Its restrictive trade regime and generally interventionist policies continue to have a negative effect on the economy.

**Keywords:** strategy, independence, analyze, study, wheat

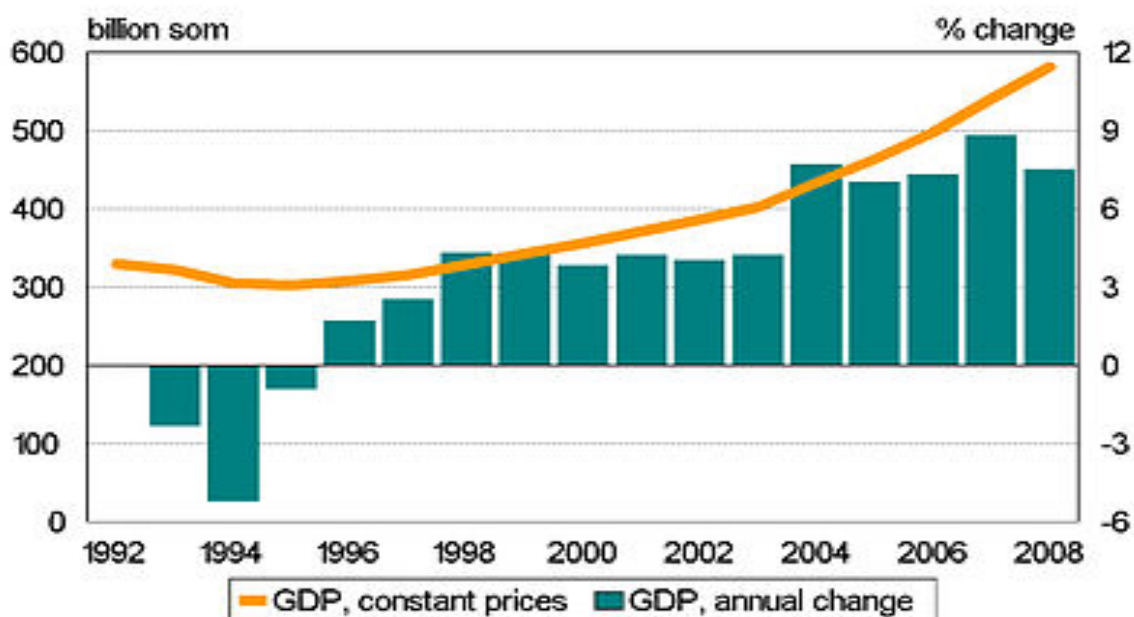
Substantial structural reform is needed, particularly in these areas: improving the investment climate for foreign investors, strengthening the banking system, and freeing the agricultural sector from state control. Remaining restrictions on currency conversion capacity and other government measures to control economic activity, including the implementation of severe import restrictions and sporadic closures of Uzbekistan's borders with neighboring Kazakhstan, Kyrgyzstan, and Tajikistan have led international lending organizations to suspend or scale back credits.

Working closely with the IMF, the government has made considerable progress in reducing inflation and the budget deficit. The national currency was made convertible in 2003 as part of the IMF-engineered stabilization program, although some administrative restrictions remain. The agriculture and manufacturing industries contribute equally to the economy, each accounting for about one-quarter of the GDP. Uzbekistan is a major producer and exporter of cotton, although the importance of this commodity has declined significantly since the country achieved independence.<sup>[18]</sup> Uzbekistan is also a big producer of gold, with the largest open-pit gold mine in the world. The country has substantial deposits of silver, strategic minerals, gas, and oil. Uzbekistan's GDP, like that of all CIS countries, declined during the first years of transition and then recovered after 1995, as the cumulative effect of policy reforms began to be felt. It has shown robust growth, rising by 4% per year between 1998 and 2003, and accelerating thereafter to 7%-8% per year. In 2011 the growth rate came up to 9%.

Given the growing economy, the total number of people employed rose from 8.5 million in 1995 to 13.5 million in 2011. This healthy increase of nearly 25% in the labor force lagged behind the increase in GDP during the same period (64%, see chart), which implies a significant increase in labor productivity. Official unemployment is very low: less than 30,000 job seekers were registered in government labor exchanges in 2005-2006 (0.3% of the labor force). Underemployment, on the other hand, is believed to be quite high, especially in agriculture, which accounts for fully 28% of all employed, many of them working part-time on tiny household plots. However, no reliable figures are available due to the absence of credible labor surveys.

The minimum wage, public-sector wages, and old-age pensions are routinely raised twice a year to ensure that base income is not eroded by inflation. Although no statistics are published on average wages in Uzbekistan, pensions as a proxy for the average wage increased significantly between 1995 and 2006, both in real terms and in U.S. dollars. The monthly old-age pension increased in real (CPI-adjusted) sums by almost a factor of 5 between 1995 and 2006. The monthly pension in U.S. dollars was around \$20–\$25 until 2000, then dropped to \$15–\$20 between 2001 and 2004, and now is \$64. The minimum wage was raised to \$34.31 in November 2011. Assuming that the average wages in the country are at a level of 3-4 times the monthly pension, we estimate the wages in 2006 at \$100–250 per month, or \$3–\$8 per day.

According to the forecast by the Asian Development Bank, the GDP in Uzbekistan in 2009 is expected to grow by 7%. Meanwhile, in 2010 the Uzbekistan GDP growth is predicted at 6,5%.



Literacy in Uzbekistan is almost universal, and workers are generally well-educated and trained accordingly in their respective fields. Most local technical and managerial training does not meet international business standards, but foreign companies engaged in production report that locally hired workers learn quickly and work effectively. The government emphasizes foreign education. Each year hundreds of students are sent to the United States, Europe, and Japan for university degrees, after which they have a commitment to work for the government for 5 years. Reportedly, about 60% of students who study abroad find employment with foreign companies upon completing their degrees, despite their 5-year commitment to work in the government. Some American companies offer their local employees special training programs in the United States.

In addition, Uzbekistan subsidizes studies for students at Westminster International University in Tashkent—one of the few Western-style institutions in Uzbekistan. In 2002, the government "Istedod" Foundation (formerly as "Umid" Foundation) is paying for 98 out of 155 students studying at Westminster. For the next academic year, Westminster is expecting to admit 360 students, from which Istedod is expecting to pay for 160 students. The education at Westminster costs \$5,200 per academic year. In 2008 Management Development Institute of Singapore at Tashkent started its work. This university provides high quality education with international degree.

Tuition fee was \$5000 in 2012. In 2009 Turin Polytechnic University was opened. It is the only university in Central Asia that prepares high quality employees for industries. With the closing or downsizing of many foreign firms, it is relatively easy to find qualified employees, though salaries are very low by Western standards. Salary caps, which the government implements in an apparent attempt to prevent firms from circumventing restrictions on withdrawal of cash from banks, prevent many foreign firms from paying their workers as much as they would like. Labor market regulations in Uzbekistan are similar to those of the Soviet Union, with all rights guaranteed but some rights unobserved. Unemployment is a growing problem, and the number of people looking for jobs in Russia, Kazakhstan, and Southeast Asia is increasing each year. Uzbekistan's Ministry of Labor does not publish information on Uzbek citizens working abroad, but Russia's Federal Migration Service reports 2.5 million Uzbek migrant workers in Russia. There are also indications of up to 1 million Uzbek migrants working illegally in Kazakhstan. Uzbekistan's migrant workers may thus be around 3.5-4 million people, or a staggering 25% of its labor force of 14.8 million. The U.S. Department of State also estimates that between three and five million Uzbek citizens of working age live outside Uzbekistan.

After 2016 Uzbekistan has admitted the lack of higher education offers in the country to support its labor market needs. Since 2016 a number of higher educational providers have started operating in Uzbekistan, including in cooperation with foreign universities. Moreover, private higher education providers started to emerge on the market to provide students with necessary skills, knowledge and competencies required on the labor market. One of the private universities in Tashkent TEAM University aims at development of skills necessary for starting entrepreneurial activities, thus contributing to development of businesses and private enterprises.

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