

Some aspects of the principles of the "uzbek model" of economic progress

[Economics](#)



Uzbekistan used to be ranked the 12th by GDP per capita, while national income per capita was twice lower than the average national income in the territory of the former Soviet Union. In terms of industrial labor productivity during this period, Uzbekistan was 40 per cent below the average ratio and labor productivity in the agricultural sector was almost twice lower. The share of the production of consumer goods per capita in the Republic of Uzbekistan accounted for 40 per cent of the ex-Soviet Union level [1]. As a result, there was an imbalance in the economy of Uzbekistan and social sphere. In particular, the problem of unemployment increased and reached its peak in 90-years period of time. There were 9 million unemployed in the former Soviet Union and one million of them lived in Uzbekistan. In the book entitled “ Islam Karimov-the New President of Uzbekistan” written by the great lawyer Leonid Levitin and Donald S. Carlyle from the USA on political issues in Central Asia the authors wrote that “ in the early 1990s none of the Soviet Union republics experienced such difficult and terrible conditions as Uzbekistan did. The people of the republic were forced to work hard under conditions of cotton monopoly, lack of resources needed for living and generally suffering from unfair social order”.

HISTORY OF DEVELOPING “ UZBEK MODEL “

Under difficult conditions the idea of choosing our own way and standards of the socio-economic development were very important so it was natural to put the question on which global or regional model could Uzbek model easily and rapidly comply with. Islam Karimov strongly insisted on the point that Uzbekistan had to follow its own way of development and possess its own development model with the account of country’s unique conditions and

opportunities, economic and cultural tiers arisen as a result of short period and long-term cooperation. The model for the economic development of Uzbekistan is based on the historical background, experience of our people, national customs and traditions. This idea was developed and promoted by the President of Uzbekistan and later on it became famous almost all over the world with its principle “ Don’t destroy the old house without building a new one”. In the aftermath our own way of the development gained a worthy place among German, Swedish, Chinese and Japanese models. Uzbekistan efficiently applied all the advantages and positive experience accumulated by the countries in the process of their development. The point was not to simply copy any model even though it could provide positive results. Certain technique and methods designed for a particular country can bring a positive effect only in the specific conditions of that country [2].

BRIGHT FUTURE OF UZBEKISTAN

Under the leadership of the First President Islam Karimov, modern roads and transport logistics infrastructure were built in Uzbekistan. In particular, the Angren-Pop railway system with a unique tunnel through the Kamchik pass was built. High-speed railway train launched, international airports were modernized. At the same time, Uzbekistan created comprehensive opportunities for the development of private property, entrepreneurship and small business. A new social layer – entrepreneurial class appeared in Uzbekistan. The consistent growth of the number of joint ventures established entirely at the expense of foreign capital is connected with the creation of a favorable investment climate for investors. This was evidenced by the fact that during the years of independence the investments in the

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amount of 190 billion USD, including foreign investments in the amount of 65 billion USD were attracted in the economy of Uzbekistan. Uzbekistan is an attractive country for investments. This can be justified by the fact that famous joint-ventures – “ General Motors”, “ MAN”, “ Klaas”, “ Isuzu”, “ Lotte chemical”, “ Kogas”, “ Daewoo Textile”, “ Yang Von”, “ Huawei”, “ Peng Sheng”, “ Maxam”, “ Indorama”, “ Nestle”, “ Nobel”, “ Rither” were established with the participation of foreign investors from over 90 countries such as the United States, Germany, Japan, South Korea, China, Spain, Switzerland, Singapore. Currently more than 4, 000 joint ventures are successfully operating in our country. Cooperation with them enables to implement radical modernization of the national economy, introduction of modern technologies, improvement of production management, active access into the world markets with new products. The creation of Navoi Free Industrial Economic Zone, Angren and Jizzakh Special Industrial Zones which provided investors wide tax concessions and preferences contributed to the development of high-tech enterprises. In addition, Gijduvan, Urgut and Khazarasp free economic zones and small industrial zones were established in 2017. Nowadays cars and telecommunication equipment, computers and mobile phones, a wide range of consumer electronics, and many other products with the label of “ Made in Uzbekistan” can be found not only in local but also in many foreign trade malls. Due to the ongoing global crisis when in many countries the demand for consumer goods is decreasing, in the middle of the current year 493 new enterprises were involved in export activities with resulted in production of 168 types of products and total sales in the world markets is over 64 million USD.

CHALLENGES OF UZBEK MODEL OF DEVELOPMENT TO THE WORLD COMMUNITY

It was a transitional period of the young independent country covering the 90s of the last century. At the same time Uzbekistan was the first among the countries of the former Soviet Union to achieve macroeconomic stability and growth in the production of industry and Gross Domestic Product (GDP). In other words, the development turned out to be the only acceptable way to overcome negative consequences of the crisis. Global financial crisis 2008.

The development model has not only contributed to mitigation of the global financial and economic crisis, but also enabled to maintain the highest rate of economic growth (up to 8 percent per year) among 10 countries of the world. In this regard Islam Karimov also published the book by name of " The global financial and economic crisis, ways and measures to overcome it in conditions of Uzbekistan". This book represented anti-crisis measures for 2009-2012 aimed at eliminating the negative effects of the global economic crisis and contains the program proposing the concept of a stronger, more stable and balanced development of the Uzbek economy after the crisis.

Thus it's not an exaggeration to say that the concepts developed by the First President in this book, made a valuable contribution to the economic theory.

Current changes occurring in the international markets and the unreserved disagreements for fuel and energy resources, as well as the political and economic scandals in Arab countries are the major factor for the instability of many leading and emerging economies in the world accompanied with a sharp decline in their exports. On the contrary, the stability of Uzbek economy and enhancing the volume of exports once again justify the fact

that Uzbek model of the development successfully passed the test and responded to the challenge of the world community.

MAIN RESULTS OF UZBEK MODEL AND ITS PROSPECTS

The efficiency of the “ Uzbek model” during 26 years is proven by the fact that Uzbekistan has occupied a worthy place in the world and achieved high goals. At present timethe world leading organizations study the experience of Uzbekistan as a case study of the “ Uzbek model” and forecast bright future of our country. In particular, as of July 1, 2015, gross national incomes of the world countries per capita (calculated by World Bank Atlas method, in USD) are classified as follows [3]. Today, according to the World Bank, there are 31 countries with low income in the world, the number of lower middle income countries amounts to 51, high middle income – 53 and high income – 80. According to World Bank statistics, in 2014, Uzbekistan GDP per capita accounted for \$ 2, 090 and thus our country refers to the lower middle income countries. Thus, with the aim of improving the situation and being among the countries with high middle income by 2030, with the account of current population it is necessary to doubleGDP per capita. The average annual GDP growth per capita in Uzbekistan for 2004 – 2014 is 7 per cent. If such growth rates are maintained within 10 years, GDP per capita can double by 2025. It is well known that the high goals set by the government for the 2030 are the targets which can be accomplished in terms of our potential.

On January 4, 2011, one of the world largest financial institutions, HSBC

Holdings plc, the « Eych-es-bi-si» bank (the largest bank in Europe and the <https://assignbuster.com/some-aspects-of-the-principles-of-the-uzbek-model-of-economic-progress/>

second in the world according to the capitalization level by Forbes magazine's rating in 2011) has published an analytical study "The World in 2015" that includes forecasting indicators. Its forecasts are based on the level of development of the modern world economy and include opportunities and essential factors, such as current income per capita, law priority, democracy, education, and demographic changes in developing and market transition countries included. Analysts determined 100 countries with probable achievements of the highest ratings by the economic growth according to three categories: Rapid growth (average annual growth of more than 5 percent); Growth (average annual growth rate between 3 and 5 percent); Countries that are expected to be stable (less than 3 per cent per year). Thus, the current state of development used to be low, but in the shortest period of time it achieved significant renewal and modernization and in the nearest future the number of countries of the first category accounted for 26. They have the opportunity to "inherit" the world's advanced technology for many years. HSBC bank estimates that by 2050 GDP of Uzbekistan (in USD unchanged since 2010) will reach 314 billion, GDP per capita will be \$ 8, 859 and the economic development level will rise by 22 percent to the 51st place in the world. In order to achieve these results, average annual GDP growth in Uzbekistan will reach 8, 2 per cent 2010-2020, 6, 9 per cent 2020-2030, 6, 1 per cent in 2030-2040, and 5 per cent in 2040-2050. The growth of income per capita for the same period is projected to rise from 6, 7 per cent in 2010-2020 to 5, 1 per cent in 2040-2050.

RECOGNITION OF THE “ UZBEK MODEL” OF DEVELOPMENT BY THE WORLD COMMUNITY AT PRESENT TIMES

According to the World Bank Group, if 10 years ago an entrepreneur needed 276 days to launch its business, currently this process requires less than a week in Uzbekistan and complies with the indicators of high income countries. Such measures aimed at improving the business environment are reflected in the rating of international economic organizations. For example, in the short run, our country improved its indicators for almost 70 points. At present, more than three-quarters of all employed people in Uzbekistan are engaged in the private sector. They also were set up an objective to increase the volume of processing raw materials on the basis of modern technologies application, to enhance the export of ready-made goods and to develop the service sector.

The proprietors and entrepreneurs, who even didn't exist 25 years ago, currently have become the dominant power of the economy. “ The Uzbek government does not make high-profile political statements and is not engaged in political aggression”, – says Viktor Matyashov, the editor-in-chief of the “ The World says” newspaper. –It is undertaking concrete practical steps to regulate the economy and construct the state. Since the earliest days of independence, every effort made by Uzbekistan has been closely monitored by far and near neighbors. The enthusiasm for establishing contacts with the younger countries with favorable geographical conditions, natural resources and human resources has been intensifying year by year. Implementing a reasonable and comprehensive policy on raising the living

standards of low and middle income population based on the “ Uzbek model” relevant measures to prevent the sharp decline in society have been taken.

In 2015, the gap – so called “ decel factor” – between 10 per cent of wealthy population and 10 per cent of insufficiently socially-secured population accounted for 7, 7 percent. The internationally recognized Jini Index, i. e. the polarization indicator of the population, was 0, 280, which was much lower than in many developed and developing countries. In this regard, the following figures are noticeable: real incomes of the population increased by 11 per cent in 2016, salaries of budget organizations increased by 15 per cent, pensions and social benefits grew by 12, 1 per cent. These figures indicate that our government cares about its citizens in conditions of declining social payments due to the ongoing global financial crisis.

Sustainability, the aforementioned factors, as well as the ever-improving transport industry, attractive investment climate, and high position in the international rankings – all attract new investors ready to cooperate with Uzbekistan. Investments into our economy, mainly for the implementation of projects for modernization, technical and technological renovation just in 2016 itself increased by 10 per cent and amounted to \$ 16, 6 billion.

At present time in the territory of Uzbekistan which is integrating into the world economy, over five thousand enterprises with the participation of foreign capital operate on the basis of mutually beneficial cooperation.

Reforms based on the “ Uzbek model” have always been highly appreciated by experts. In particular, the World Economic Forum included Uzbekistan among the five rapidly growing countries. According to the opinion of Iveta Grigule, the chairperson of the European Parliament’s delegation on

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cooperation with the Central Asian countries (worldnews. uz), “ Uzbekistan has made unprecedented achievements during the years of independence in comparison with the situation which used to be 25 years ago. At present time Uzbekistan is demonstrating its dynamic development in all spheres. It has become the country that pays a particular attention to ensuring the safety of his citizens, improving their material welfare and social protection, and providing them with access to diverse services”, -said a member of the parliament. As a result of large-scale comprehensive reforms, the economy of Uzbekistan has grown several times, and if its population has increased by one and a half times, the income per capita has risen significantly. The look of our cities, towns and villages has radically changed, and modern production and social infrastructure has been created. All this is a practical expression of the successful implementation of the “ Uzbek model” of development, the policy of reforms being pursued for the prosperity of the country and every citizen. A major conference on the study of the rich heritage of the great scholars living in the land of Uzbekistan, in particular, the scientific heritage of Temurids, was held recently at the Leiden University in the Netherlands. There is a great deal of positive feedback not only about our ancestors, our philosophers, but also about the modern development of Uzbekistan [4].

Japanese experts also published the article on the life and activities of the First President of Uzbekistan, Islam Karimov, in “ The Japan Times”. The article notes that Karimov has developed a program of reforms based on five principles that are recognized as the Uzbek model of development all over the world. In addition, the article touches upon creation of completely new

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high-tech industries in the country, construction of world-class industrial facilities, building of modern road-transport and engineering-communication infrastructure. It should be noted, that thanks to the reforms made on the basis of the “ Uzbek model” of development, Uzbekistan economy joined the list of five the most rapidly growing economies in the world. The First President developed and implemented the Concept of foreign policy, based on Uzbekistan’s commitment to peace, non-interference in the internal affairs of other states and only peaceful, political resolution of disputes. It is well-known that the head of the state made a great contribution to the maintenance of peace and stability in the region and around the world. Islam Karimov has set up the foundation for a completely new system of education and upbringing of the younger generation, who is considered to be a decisive and powerful force of today and tomorrow. In fact, the First President of Uzbekistan has dedicated his boundless love to the people and his whole life to the devotion to the motherland [5].

The world-famous “ FORBES” magazine on September 14, 2017 published the article on economic reforms of Uzbekistan and on the internal and foreign policy implemented by the President Shavkat Mirziyoyev. It should be noted that the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, who was elected after Islam Karimov, is being recognized as a new Uzbek leader in the world. Shavkat Mirziyoyev has proven to the Eurasia observers and international experts that the largest military base in the region has finally been modernizing its economy and establishing friendly relations with other countries in this process. “ World Giving Index 2017” has announced a new rating paying a particular attention to the people of Uzbekistan. According to <https://assignbuster.com/some-aspects-of-the-principles-of-the-uzbek-model-of-economic-progress/>

this rating, among other Central Asian countries, the most generous people live in Uzbekistan.

According to the organizers of this rating, 40 per cent of population in Uzbekistan deal with charity activities and in Kazakhstan this indicator accounts for 30 per cent. Uzbekistan ranks 38th in the world rankings and neighboring Tajikistan are on the 50th place and Turkmenistan is on the 69th place, Kirgizstan is on the 85th place and Kazakhstan occupies 87th place. The rating analysis shows that in Central Asia Uzbekistan is recognized by the world community because of its way of development and a generous contribution of the population to the charity. Proposals and recommendations aimed at solving urgent problems in the international arena have always been reflected in the international arena. This time this tradition was followed by Shavkat Mirziyoyev at the UN summit. On September 19, 2017, at the 72nd session of the UN General Assembly the President of the Republic of Uzbekistan Shavkat Mirziyoyev has stated that it is necessary to implement the principle “ human interests are superior to all”. In addition, he has made proposals aimed at ensuring security of Central Asian countries and strengthening regional cooperation, solving the problems with the Aral Sea and regional water areas, peace issues in Afghanistan. Moreover, he has tackled such crucial issues as the formation of youth policy and the development of the UN Convention on the Rights of the youth, the role of mass media as well as Islam as a holy religion and tried to promote his ideas to the people all over the world.