

WAYS TO STABILIZE FOREIGN ECONOMIC ACTIVITY**Kodirjon Maxamadaminovich Umarkulov**

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Abstract: The ongoing economic instability around the world requires the implementation of systemic reforms to stabilize the external economic activity of countries. From this point of view, this article identifies the existing opportunities and problems based on the analysis of the reforms and their results, foreign trade indicators in the field of foreign economic activity of Uzbekistan. At the same time, in the article, proposals and recommendations have been developed on measures that need to be solved for the development of the industry, including issues such as localization of production, stabilization of the activity of free economic zones.

Keywords: National economy, foreign economic activity, trade, export, import, localization, free economic zone, market, foreign investment.

Introduction.

In the conditions of today's modern economic instability, developing foreign economic activity based on a small number of directions is a big risk. Therefore, production entities in all countries of the world are trying to diversify their business in order to eliminate risks.

In the state programs aimed at stabilizing the economy of Uzbekistan and increasing its competitiveness, great attention is paid to ensuring the development of all sectors, developing special types of economic activity, and diversifying production. Especially in the conditions of the current unstable foreign trade relations, the question of stabilizing the foreign economic activity of Uzbekistan is of great importance.

The purpose of this article is to develop systematic measures aimed at stabilizing Uzbekistan's foreign economic activity, including identifying priorities for cooperation, developing recommendations based on the use of internal and external opportunities.

Analysis of the literature on the topic.

The issues of stabilization of foreign economic activity and diversification of production were constantly in the focus of attention of research scientists. In particular, on the issues of state regulation of foreign economic activity, development of foreign trade, international labor migration, scientific research has been conducted by such domestic scientists as H.P. Abulkasimov, O.Y. Khamraev [4], A.A. Aliyev [5], K.I. Kurpayanidi [6], K.I. Sirodzhiddinov, N. Rasulov [7], I.E. Kenzhaev [8,9,10], I.I. Soliev [11], N. Sotvoldiev [12] and foreign scientists A. Venables [13], P. Krugman, M. Obstfeld, M. Melitz [14], T. Baumgartner, T. R. Burns [15].

Research methodology

The research used methods of scientific abstraction, analysis and synthesis, induction and deduction, comparison, grouping.

Analysis and results

As a result of the positive changes implemented in the national economy of Uzbekistan, its structure has been significantly diversified. Along with the oil and gas, chemical industry, automotive industry, modern agricultural machinery, construction materials industry, railway engineering, consumer electronics manufacturing, pharmaceutical, food, textile, leather industry, the creation of new networks has created the basis for this.

As a result, industrial production has increased 4.6 times over the years of independence, and the average annual growth rate of the industrial sector over the past 10 years, exceeding the growth rate of the total gross domestic product, amounted to 8.9 percent.

In the 1990s, about 33 percent of the country's gross domestic product was accounted for by agriculture, while the share of industry did not exceed 14 percent. The basis of industrial production was the processing of cotton and the production of agricultural machinery.

Today, as a result of the reforms, the share of industry in GDP has reached 32.9%, while the share of the agricultural sector in GDP was 17.6%, despite the rapid growth of the agricultural sector, and the share of the service sector reached 49.5 percent.

The main task is to rapidly develop the industry by implementing fundamental structural changes in the economy and increase its share in the gross domestic product to 40% by 2030, reduce the amount of energy used to produce the gross domestic product by about 2 times due to the widespread introduction of modern energy-saving technologies.

When analyzing the foreign trade of the Republic of Uzbekistan in 2000-2021, it can be seen that this indicator increased by 6.8 times. In particular, in 2021, Uzbekistan's foreign trade with the CIS countries amounted to 37.8 percent of the total volume (11 independent countries within the CIS) and 62.3 percent with other countries. The growth rate of foreign trade turnover in 2021 compared to 2020 was 116.3 percent, with the CIS countries this situation was 134.6 percent, and with other countries - 107.5 percent.

Before 2016, the volume of exports in the trade balance was positive compared to imports, but since 2016 there has been a negative balance (Table 1).

Table 1. Foreign trade of the Republic of Uzbekistan

| Indicators | 2000 | 2005 | 2010 | 2015 | 2020 | 2021 | in 2021 as a percentage of 2000 |
|---|----------------|----------------|---------------------|---------------------|---------------------|---------------------|--|
| million US dollars: Foreign trade turnover | 6 212,1 | 9 500,1 | 22 199,2 | 24 924,2 | 36 256,1 | 42 170,5 | 678,8 |
| export | 3 264,7 | 5 408,8 | 13 023,4 | 12 507,6 | 15 102,3 | 16 662,8 | 510,4 |
| import | 2 947,4 | 4 091,3 | 9 175,8 | 12 416,6 | 21 153,8 | 25 507,7 | 865,4 |

| | | | | | | | |
|--|----------------|----------------|---------------------|---------------------|---------------------|---------------------|--------------|
| <i>trade balance</i> | 317,3 | 1 037,0 | 3 847,6 | 91,0 | -6 051,5 | -8 844,9 | x |
| including: with CIS countries | 2 297,8 | 3 403,4 | 9 369,2 | 9 548,9 | 11 826,4 | 15 920,4 | 692,9 |
| | 37,0 | 35,8 | 42,2 | 38,3 | 32,6 | 37,8 | 1,8 |
| export | 1 172,2 | 1 722,6 | 5 647,7 | 5 230,3 | 4 106,4 | 5 433,8 | 463,6 |
| import | 1 125,6 | 1 680,8 | 3 721,5 | 4 318,6 | 7 720,0 | 10 486,6 | 931,6 |
| <i>trade balance</i> | 46,6 | 41,8 | 1 926,2 | 911,7 | -3 613,6 | -5 052,8 | x |
| with other countries | 3 914,3 | 6 096,7 | 12 830,0 | 15 375,3 | 24 429,6 | 26 250,1 | 670,6 |
| | 63,0 | 64,2 | 57,8 | 61,7 | 67,4 | 62,3 | x |
| export | 2 092,5 | 3 686,2 | 7 375,7 | 7 277,3 | 10 995,8 | 11 229,0 | 536,6 |
| import | 1 821,8 | 2 410,5 | 4 545,3 | 8 098,0 | 13 433,8 | 15 021,1 | 824,5 |
| <i>trade balance</i> | 270,7 | 1 275,7 | 1 921,4 | -820,7 | -2 437,9 | -3 792,1 | x |
| Percentage of the previous year: Foreign trade turnover | 97,9 | 109,6 | 104,7 | 90,5 | 86,8 | 116,3 | x |
| export | 100,9 | 111,5 | 110,6 | 92,3 | 86,5 | 110,3 | x |
| import | 94,8 | 107,2 | 97,2 | 88,8 | 87,1 | 120,6 | x |
| including: with CIS countries | 128,2 | 113,3 | 117,0 | 79,0 | 81,8 | 134,6 | x |
| export | 119,3 | 112,7 | 144,0 | 77,2 | 65,9 | 132,3 | x |
| import | 139,0 | 114,0 | 91,0 | 81,2 | 93,8 | 135,8 | x |
| with other countries | 86,0 | 107,6 | 97,2 | 99,6 | 89,5 | 107,5 | x |
| export | 92,9 | 110,9 | 94,0 | 107,4 | 98,0 | 102,1 | x |
| import | 79,2 | 102,9 | 102,0 | 93,5 | 83,6 | 111,8 | x |

Source: Data of the State Statistics Committee of the Republic of Uzbekistan

In 2021, Uzbekistan's foreign trade turnover increased by 16% compared to 2020 and amounted to 42170.5 million dollars. The volume of exports from Uzbekistan increased by 10% and reached \$ 16,662.8 million. The volume of imports increased by 20.4% and amounted to \$ 25,507.7 million.

The negative foreign trade balance of the foreign trade turnover amounted to 8844.9 million dollars - in 2020, this figure was 6051.5 million dollars.

Russia (17.9% of the total trade turnover), China (17.7%), Kazakhstan (9.3%), Turkey (8.1%) and South Korea (4.5%) remain among the main foreign trade partners of Uzbekistan.

In 2021, the bulk of exports from Uzbekistan were manufactured goods (26.1% of total exports), gold (24.7%), services (15.3%) and foodstuffs (8.3%).

Instead, in 2021, exports of manufactured goods (including textiles, non-ferrous metals, cast iron and steel) increased by 7% compared to the volume of exports in 2020. The volume of exported gold in 2020 was 13.7% more than in 2021. Also, the share of passenger car exports in total exports increased 1.5 times and reached 4.2%.

During 2021, the bulk of imports to Uzbekistan were imports of machinery and equipment (32.4%, which is 5.2% less than in 2020), industrial goods (18.5%), chemicals (14.3%), food (9.9%) and services (6.8%)¹.

DISCUSSION

In general, the abundance and cheapness of skilled labor, local raw materials and materials create great opportunities for further improving the efficiency of foreign economic activity of local enterprises, ensuring the competitiveness of products and access to their foreign markets. Also, the provision by the state of benefits for foreign economic activity (Resolution of the President of the Republic of Uzbekistan "On measures to radically improve the procedure for granting benefits and preferences". Tashkent city, May 31, 2018, number PQ-3756), convenient geographical location (located in the center of Central Asia, connecting European and Asian markets), Uzbekistan's activities in international organizations (CIS, Shanghai Cooperation Organization, Organization of Turkic States, etc.) are also great opportunities for effective foreign economic activity.

However, there are also the following problems:

- Lack of qualified personnel to work in the foreign market;
- Sales volumes are small compared to the main competitors;
- Insufficiently effective marketing, including price monitoring of competitors and the problem of implementing a competitive pricing strategy;
- Obstacles in export-import operations;
- Problems of the customs service.

In addition to these problems, the state of instability in the global economy causes a number of other problems. That is, the entry of new competitors into foreign markets, mutual monetary and financial problems with creditor countries, international organizations and debtor countries create a number of problems for local enterprises. In particular, as a result of international technological progress and increased competition from a technical and economic point of view, it becomes difficult for local enterprises to work effectively in foreign markets.

Therefore, it is important to take measures to increase the competitiveness of goods, to develop new markets based on the scope of activity, production capabilities, in other words, to expand and diversify the geography of exports. To do this, it is necessary to actively attract foreign investment, to stabilize relations with new partners and regions.

¹ Data from the State Statistics Committee of the Republic of Uzbekistan

It should be noted that localization of finished product production is important for a more stable and consistent development of the economy, reducing its dependence on external factors and accelerating the introduction of new efficient technologies into production processes.

The main goal of the localization program is to establish the production of competitive modern products intended for export and import substitution in the Republic of Uzbekistan, to stimulate the production of local products that meet the requirements of domestic and foreign markets, based on local raw materials and mineral resources. In addition, localization is one of the main mechanisms that ensure a positive balance of foreign trade.

That is why localization in Uzbekistan is one of the main directions of the development of the production of finished products, and not in the direction of raw materials. This makes it possible to make extensive use of local raw materials and production resources and, on this basis, produce modern and competitive products that replace imports. At the same time, localization serves as one of the main economic mechanisms that provide a great advantage in foreign economic activity.

Based on the localization program in Uzbekistan, in 2021, a production volume of 24.4 trillion soums was established for 2053 projects. In practice, 1,938 projects were launched and industrial products worth 30.1 trillion soums (123 percent of the plan) were produced. 254 types of products worth 411.0 million US dollars were exported, 12433 jobs were created.

As a result of such reforms, the import of 106 groups of goods has been completely stopped due to the localization of production over the past three years, and the import of 356 types of goods has more than halved².

Also, the adoption of the Decree of the President of the Republic of Uzbekistan dated September 2, 2017 No. PF-5177 "On the first measures to liberalize monetary policy" to develop foreign trade activities, attract foreign investment into the economy of our country, serves to increase export potential, sustainable development of modern, export-oriented industries, as well as small businesses and private enterprises.

At the same time, the organization of new high-tech production facilities, more active involvement of regions in the development of production of competitive and export-oriented modern industrial products, production, engineering-communication, road transport, social infrastructure and logistics 23 free economic zones and 348 small industrial zones have been established in the republic in order to increase the attraction of foreign direct investments to ensure rapid development of services. 453 projects with a total value of 2.6 billion dollars were implemented in the free economic zones and about 36 thousand jobs were created. In small industrial zones, 1,497 projects worth 5 trillion soums were launched and employment of more than 36,000 people was provided.³

It should be noted that in order to increase the competitiveness of the country's economy, the main attention should be focused on the use of natural resources and the industrial potential of the regions and on strengthening the export system. It is in this place that the organization of

² <https://mineconomy.uz/uz/node/1922>

³ <https://review.uz/uz/post/samariddin-elmirzaev-iqtisodiyotda-erkin-iqtisodiy-zonalar-va-kichik-sanoat-zonalari-faoliyati-juda-muhim>

modern free economic zones is of particular importance, which is a productive form of attracting foreign investment.

But if we analyze the role of small industrial zones in attracting investment, developing entrepreneurship, creating new jobs and improving the welfare of the population, it is still noticeable that they lack initiative, and the level of organization of work on the development of activities is weak.

For example, the process of reviewing and coordinating projects by responsible ministries and departments is still complex and formal in nature. Unfortunately, there are still bureaucratic difficulties in solving the issues of allocating land plots to participants of the free economic zone. There are also problems with a stable supply of electricity, natural gas, water and other communication networks. However, it is time to develop comprehensive measures to create more opportunities for investors and entrepreneurs in these regions. First of all, it is necessary to review the legal framework for the functioning of these zones, if necessary, adapt it to the requirements of the time, as well as create an open and understandable mechanism for everyone.

Sometimes, as a result of placing projects in free economic zones, artificial preferences are provided for certain types of activities without accurate calculations, and this, in turn, leads to a violation of the competitive environment in the market. Therefore, strengthening the organizational and legal base of additional opportunities, benefits and preferences provided to business entities and entrepreneurs working in existing free economic zones and small industries, as well as pharmaceutical zones, producing products for export, organizing innovative, high-tech production, is also one of the tasks. In particular, in order to attract foreign investment, it is necessary to pay attention to the development of regulatory and legal documents aimed at fully demonstrating the country's investment potential to the global business community, and to identify comprehensive approaches to the formation of investment projects by region and sector for investors who want to invest.

CONCLUSION

In general, it is necessary to implement a number of measures for the development of foreign economic activity of economic sectors in the future, making maximum use of the natural raw materials available in our republic:

Firstly, the transition to a new stage aimed at the rapid development of high-tech processing networks in the industry, primarily the production of finished products with high added value based on deep processing of local raw materials;

Secondly, it is necessary to continue the policy of encouraging localization of production and import substitution, primarily of consumer goods and components, expansion of intersectoral ties of industrial cooperation;

Thirdly, to increase the production of modern finished products with high added value, which are popular in foreign markets, and to achieve high growth rates of exports of finished products in exchange for raising it to a new level;

Fourthly, it is important to create and improve the efficiency of new free economic zones, technoparks and small industrial zones.

We can say with full confidence that fundamental structural changes in the national economy, that is, continuous technical and technological renewal of production, constant search for internal opportunities and reserves, implementation of deep structural changes in the economy, modernization of industry and, as a result, consistent continuation of diversification, allow us to choose the most important priorities of foreign economic policy for the near future.

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