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<https://doi.org/10.61796/jaide.v1i4.394>**ECONOMY OF UZBEKISTAN: IS DEDOLLARIZATION
REAL?.****Numanov K.K**

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Abstract: The use of foreign currency (mainly the US dollar) preferentially over the national currency in Uzbekistan, in addition to international payments within the republic, creates serious problems for the national economy. It leads to an outflow of investment, reduces the level of economic development, minimizes budget profitability, which reduces the size of allocations to important sectors of the economy and social sphere.

Keywords: Uzbekistan, Dedollarization

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Annotation. The use of foreign currency (mainly the US dollar) preferentially over the national currency in Uzbekistan, in addition to international payments within the republic, creates serious problems for the national economy. It leads to an outflow of investment, reduces the level of economic development, minimizes budget profitability, which reduces the size of allocations to important sectors of the economy and social sphere.

The article analyzes the current state of the economy of Uzbekistan, as well as the negative phenomena that have arisen in the foreign economic activity of the republic in recent years. In particular, certain problems arising due to the low level of competitiveness of the national economy are considered. At the end of the work, specific measures are proposed that will reduce the rate of inflation, which makes it possible to increase the competitiveness of the economy, improve the quality of the national currency and the functions they perform.

Key words: dollarization, national economy, investment, foreign economic activity, economic competitiveness, inflation, corruption, tax benefits.

Currently, the use of foreign currency (mainly the US dollar) preferentially over the national currency, in addition to international payments within the republic, creates serious problems for the national economy. This is manifested in a decrease in the level of economic development, minimization of budget returns, which reduces the size of investments in important sectors of the

economy and social sphere, does not allow the use of monetary methods to control inflation, leads to increased exchange rate volatility and stimulation of the shadow economy. In addition to this, it should be noted that all the funds that accumulate in foreign currency cannot be used in the real production process, which leads to a decrease in economic growth and stagnation of production.

Here the question arises: what factors influenced the level of dollarization of the republic's economy to remain very high today? And most importantly, in what ways can the negative impact of foreign currency on the national economy be reduced?

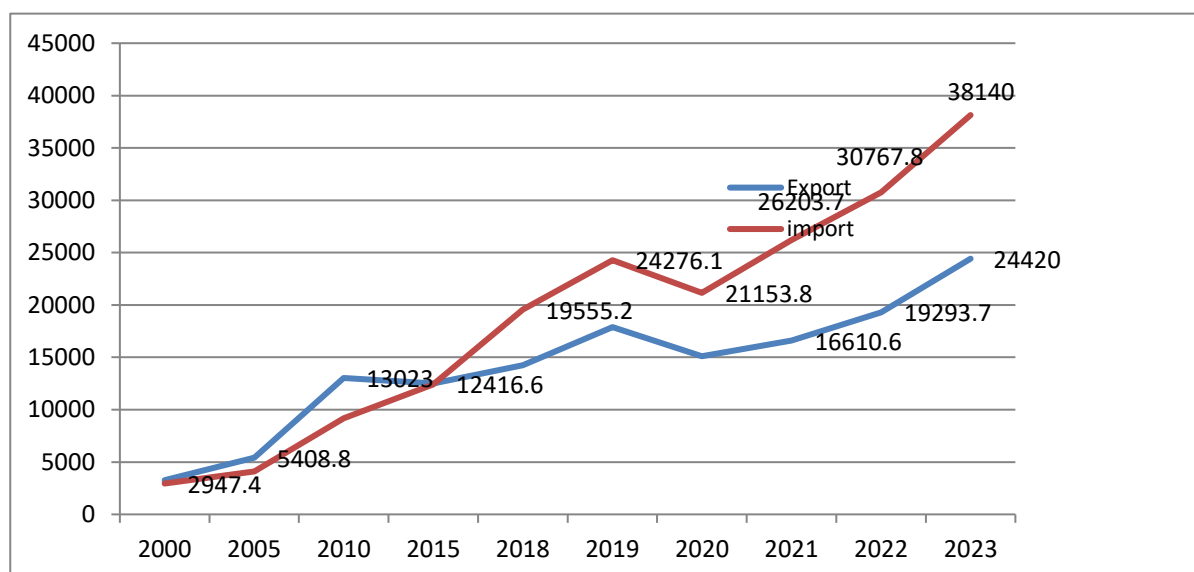
During the years of independence, the leadership of the republic aimed its financial policy at ensuring a firm stable exchange rate of the soum in relation to other foreign currencies, primarily to the dollar, to prevent rising prices and inflation, to reduce the state budget deficit, in general, for everything in general called monetary and financial stabilization. This seems to be the right direction. But on the other hand, how is this policy ensured? Despite high-flown slogans from the stands about the advantages of the socially oriented "Uzbek model," consumer prices in the republic have been rising and rising, inflation is high, deficits in the state budget, trade and balance of payments are allowed, purchasing power and the exchange rate of the national currency are continuously declining. In our opinion, the main reason for this was that after the introduction of the national currency in 1994 by the Central Bank, there were two soum exchange rates in the republic: a fixed state one, to which ordinary enterprises had no access, and a market "black" one - the difference with which was almost threefold. . This, in turn, led to the unreliability and instability of the sum, its extremely little connection with its own national economy. In addition to this, very high tax rates led to the fact that by 2000 the real sector of the economy in Uzbekistan practically ceased to exist.

Subsequently, the republic's economy turned into a raw materials appendage to the rest of the world. Unfortunately, this process is further aggravated, and given the current state of the national economy, it is unrealistic to expect positive trends in the near future.

To date, the progress of integration of the economy of Uzbekistan into the world economy has revealed the limited possibilities of adapting to global trends of the national economy of the republic. As can be seen from the history of the development of the world economy, countries specialized in the development of raw materials sectors of the economy do not have strong immunity against market fluctuations in the world market. For them there is always an external threat of disruption of the internal economic balance. Naturally, a strong future cannot be built on such a basis, which entails increased financial and technological dependence, unstable budget revenues and many other negative consequences.

As can be seen from the graph, in recent years there have been negative trends in the republican foreign trade turnover: an excess of imports over exports. This shows that the main part of the

manufacturing industries, the agricultural sector and the service sector are not able to satisfy the needs of the domestic market in terms of the range, quality or quantity of goods and services produced.



Graph. Dynamics of foreign economic activity of the Republic of Uzbekistan for 2000-2023. (in millions of dollars)

Source: Statistics Agency of Republic of Uzbekistan.

A comparison of the dynamics of the structure of foreign trade in goods and services of the republic with data on world trade and exports clearly shows that in its structure, the foreign trade turnover of Uzbekistan is fundamentally different from international economic exchange. In world trade, a significant share falls on finished products and services that embody the achievements of scientific and technological progress. And in the structure of the republican exports, basic goods and the simplest types of services predominate; goods and services related to meeting consumer demand occupy a prominent place in imports (table)

Table
Dynamics of the structure of foreign economic activity of the Republic of Uzbekistan for 2000-2023. (in US dollars)

Structure	2000	2005	2010	2015	2018	2019	2020	2021	2022	2023
EXPORT										
Cotton fiber	897.1	1033.3	1572.7	736.1	222.1	281.6	146.9	136.5	3.5	-
Foodstuffs	176.4	206.1	1260.5	1316.4	1097.7	1517.5	1443.8	1471.8	1823.5	1770
Chemical products and products made from them	93.4	285	661.3	613	904.6	876.9	873.2	1225.3	1426.2	1310
Energy and petroleum products	335.2	623	2973.8	2685.2	2666.2	2524.9	659	889.9	1215.2	939.50
Ferrous and non-ferrous metals	216.7	499.9	894.4	824.2	1167.1	1300.9	1241.9	1653.4	1658	1696
Machinery and equipment	111.8	452.8	715.4	159.3	214.1	451.4	442	702.8	989.3	1300
Gold	554.2	1164.7	2618.1	1920.6	2909.5	4918.3	5804.4	4109.8	4110.3	8150
Textile products	235.6	203.5	637.2	883.7	1603.1	1626.6	1578	1326.2	1521.5	2050
Services	449.1	659.3	1335.5	3061.3	3029.9	3560.3	2005	2547.4	4017.8	4425.3
Others	195.2	281.2	354.5	307.8	438.6	843.5	908.1	3,229.7	2528.4	2779.2

Total	3264.7	5408.8	13023	12507.6	14252.9	17901.7	15102.3	16610.6	19293.7	24420
IMPORT										
Foodstuffs	361.1	287.2	963.2	1585.3	1581.6	1885.1	2159.6	2,926.2	3953.2	3490
Chemical products and products made from them	399.5	558.7	1265.7	2108.2	2554.8	3200.4	3436.7	4,260.1	5046.5	4860
Energy and petroleum products	112.7	103.7	654.6	725	879.5	928.1	1106.9	1,541.0	1795.1	2630
Ferrous and non-ferrous metals	253.5	419.4	742.1	919.4	1773.3	2116.9	1751.3	2312.8	2821.1	2550
Machinery and equipment	1044.1	1770.4	4032.5	5026.7	8321.7	10635.2	8904.2	9,454.4	11018.4	14930
Services	251	424.7	490.4	954.1	2242.9	24241.8	1221.4	1,736.8	2547.5	3158.7
Others	525.5	527.2	1027.3	1097.9	2201.4	3088.7	2573.7	3,229.7	3586.0	6521.3
Total	2947.4	4086.3	9175.8	12416.6	19555.2	24276.1	21153.8	26203.7	30767.8	38140

Source: Statistics Agency of Republic of Uzbekistan.

The current state of the Uzbek economy, based primarily on the export of raw materials, energy, semi-finished products and the import of machinery, equipment, components, and components, contains obvious economic, trade and political threats. Fuel and raw material specialization hinders the growth of the republic's competitiveness and makes its economic positioning in the world unstable. In our opinion, in the context of globalization and integration of the world economic system, the state should direct efforts to develop mutually beneficial foreign economic cooperation with countries near and far abroad and take part in global and regional trade processes in order to ensure sustainable economic development. Because in modern conditions, the competitiveness of the country's economy is an indicator of the state and prospects for the development of the economic system, determines the nature of its participation in the international division of labor, acts as a guarantor of economic security and the ability to produce goods and services that meet the requirements of the world market, the implementation of which contributes to the growth of the well-being of the population. Taking this into account, we can say that it is impossible to change the nature of the republic's participation in the international division of labor without developing manufacturing industries, that is, without new industrialization. Only in this way is it possible to diversify exports through finished products, including products from high-tech industries that are competitive in the world market. Industrialization of the republic's economy would weaken the orientation of consumers towards imports and strengthen the position of local producers in the domestic market.

In the current conditions, in order to move to an innovative path of development, break out of the dependent position of donors of raw materials, enter the world of developed countries with high-tech production and a diversified economy, improving the investment climate not only for foreign but also for domestic entrepreneurs is objective for Uzbekistan necessity. To attract investment into the economy of the republic, the government of Uzbekistan has introduced a number of important measures in recent years, including free conversion of the national currency, reducing trade barriers and customs duties. As part of additional preferences, Uzbekistan provides tax benefits to participants

in special economic zones, tax benefits to organizations with foreign capital, and exemption of income from export sales from income tax. Despite these measures, due to the complexity of the existing tax system, the high tax burden for business and the high level of corruption in the government apparatus, the investment attractiveness of the national economy today remains very low. It should be noted here that, according to most experts, a favorable investment climate in the republic can be created through proper protection of property rights, the independence of the judicial system, a serious reduction in the scale of corruption, and a reduction in administrative pressure on business. But in our opinion this is not enough, because... an attractive investment climate cannot be created without the formation of a full-fledged competitive environment, increasing the capitalization of the banking system, reducing the cost of borrowing, reducing the rate of inflation, thanks to which the economy of our republic could rise to a high level and integrate into the world economy.

World practice proves that global economic cataclysms have the least painful impact on countries that are characterized by: balanced development of the most important sectors of the economy, a healthy financial system, low inflation rates, a balanced budget, a surplus of trade and balance of payments on current accounts, the absence of significant external debt, a fairly high volume of gold and foreign exchange reserves, a realistic exchange rate of the national currency, an effective state as a macro-regulator of the economy. Taking this into account, we offer specific proposals that would allow our republic to enter the world of developed countries with high-tech industries and a diversified economy through the sustainable growth of the national economy:

1. Today in the republic the level of corruption of power structures remains very high due to the low level of democratization of society. As a result, not only the state budget is wasted, but in addition to this, loans received from international organizations. Because of this, in recent years there has been a tendency for the state budget deficit to increase. To fill this gap, the government is forced to take out loans, which lead to a further increase in public debt. Taking this into account, we propose to reduce government spending by: a) reducing the administrative apparatus by 70-80% at all levels of government, b) reducing unjustified subsidies.
2. During the years of independence in the republic, on average twice a year, the government resorted to increasing wages for public sector employees. Unfortunately, these measures did not produce the expected results; on the contrary, they led to a further increase in inflation and a deterioration in the lives of the main part of the population. Based on this, we propose to freeze the growth of wages and benefits for at least 3-4 years, which will stabilize the level of prices for goods and services in the republic.

3. in order to help domestic producers get back on their feet, especially for those industries that create products with high added value, we propose to reduce VAT to 10% for all enterprises, regardless of their form of ownership;
4. Currently, the republic applies high customs duties on imported products to protect its own producers; unfortunately, these measures have not brought the expected results. Taking this into account, we propose other ways to weaken consumers' focus on imports and strengthen the position of domestic producers in the domestic market. In our opinion, in conditions when foreign trade turnover is negative, it is advisable to use effective tariff protection, i.e. zeroing out duties on imported raw materials and materials that are necessary to stimulate and maintain domestic production and cannot be provided by domestic suppliers.
5. In the current conditions, the central bank refinancing rate remains very high and amounts to 14%. And this, in turn, leads to an increase in the price of loans from commercial banks for both business and the population. This means that if we do not reduce the refinancing rate, the consequences could be negative for the entire economic system of the republic.
6. At this time, tariffs for energy resources (electricity, gas) are very high for business and the population, which in turn leads to higher prices for goods and services, thereby reducing the competitiveness of domestic producers in domestic and foreign markets. Based on this, we propose to revise energy tariffs downward.

The application of these measures will ultimately reduce the rate of inflation, which makes it possible to increase the competitiveness of the republic's economy and reduce the influence of the shadow economy by increasing wages, pensions and other fixed incomes. This in turn leads to an improvement in the purchasing power of the national currency, which makes it possible to improve the quality of money and the functions it performs. With the help of this, the scale of dollarization of the economy of our republic is reduced.

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