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ECONOMICAL-FINANCIAL POLICY OF THE REPUBLIC OF UZBEKISTAN BETWEEN 2000 AND 2006

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Abstract: his article analyzes the economical-financial policy of the Republic of Uzbekistan between 2000 and 2006 and discusses problems of that period.

Key words: Uzbek model, private sector, finance, liberalization, investment, financial policy, taxation, obligation

Introduction: The modernization of the Republic between 2000 and 2005 and the creation of decent living conditions for the population required the deepening of the market economy and further liberalization of the economy.

Modernization is, first of all, a systematic and structurally consistent renewal of the economy. As the First President of the Republic of Uzbekistan I.A.Karimov noted[1], "Efforts in this direction are aimed primarily at ensuring macroeconomic relations in the economy, the accelerated development of production, industries and sectors, which are necessary for a leading role in economic growth, as well as "The specific democratic features of the Republic of Uzbekistan, employment, increasing incomes and other critical issues" .

Materials

According to Thomas Sowell in the book "Basic Economics"[2] economical policy has significant role for not only improving financial stability, but also developing economical status of the country.

Additionally, it is said in the book of "International Economics[3]: Theory and Policy" that the growth of economy is related to the investment activity in the country and supporting entrepreneurs legally by the government.

It is said[4] that economic policy of governments covers the systems for setting levels of taxation, government budgets, the money supply and interest rates as well as the labor market, national ownership, and

many other areas of government interventions into the economy.

According to Bernard Salanie [5] reducing the tax burden and creating opportunities for entrepreneurs can be the basis for economical development of the state.

Methodology of the research

The methodology includes historical and logical analysis, systematic analysis, induction and graphic methods. Statistics have been made by the help of official sites of the world and the Republic of Uzbekistan.

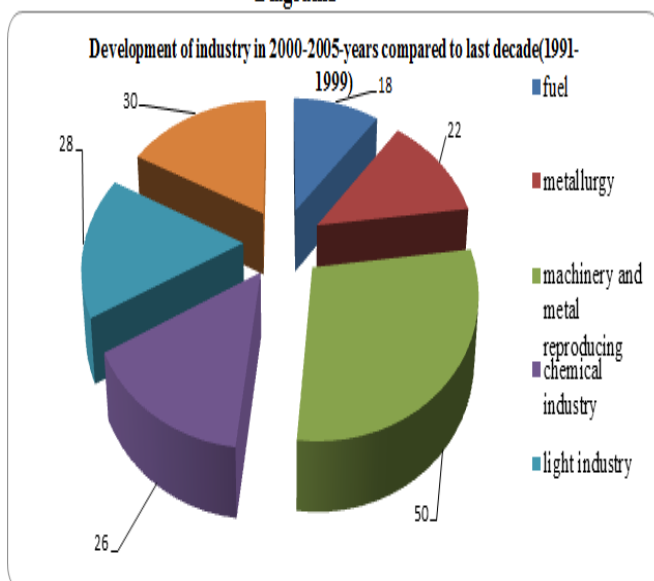
Results

The reforms carried out in the "Uzbek model" had significant role in this sector. This can be seen from the economic indicators for 2000-2005. At the end of 2005, the economic growth rate was 30.1% compared to 2005 and 28.2% compared to 1991. It should be noted that in achieving these indicators, the Republic, as in some neighboring countries, depended not only on the favorable situation in the world commodity markets, especially in the oil and gas market, and some external factors, but also on basic foodstuffs, by restructuring industry and agriculture and achieving high performance[6].

The share of industry in GDP was 14% in 2002, while in 2005 it was 20.7%. If the growth rates of industry are analyzed, it can be seen that in the Republic at that time, mainly the key industries developed at a high rate. The following are facts as an example of this information[7]

In 2000-2005, the fuel and raw materials complex provided 100.8% growth, metallurgy 112%, 307% in machinery and metal processing, 146.3% in chemical enterprises, 150% in light industry enterprises and 165.8% in food enterprises compared to last decade (1990-1991). Those growths can be seen in the following diagram[8].

Diagram1



On May 11, 2005, the Decree of the First President of the Republic of Uzbekistan on the establishment of the Fund for Reconstruction and Development of the Republic of Uzbekistan was adopted[9].

The high prices for the main products of the Republic of Uzbekistan, including precious and non-ferrous metals, on the world market allowed to form the authorized capital of the Fund in the amount of 1 billion US dollars. These funds were directed to the development of priority sectors of the economy[6].

First of all, it was aimed at using the rich reserves of raw materials available in the regions of the country for the benefit of the public. According to statistics, the total natural gas resources in the country at that time were 7.8 trillion cubic meters, and oil and condensate resources amounted to almost 1 billion tons. In general, the mineral resources of the Republic are estimated at

about 11 trillion US dollars, of which 17% were explored in 2000-2005[10].

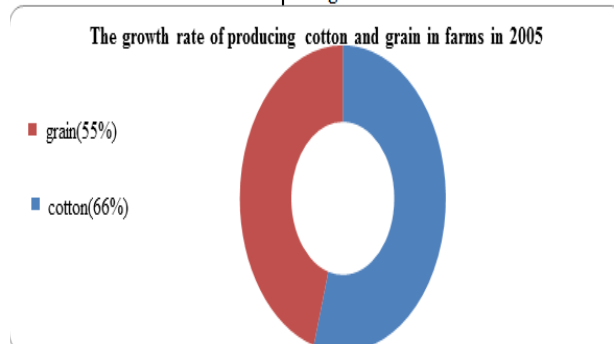
Liberalization is the creation of a multi-sectoral economy that develops according to the laws of the market. This requires the private sector to lead. The private sector consists of private enterprises, joint-stock companies with a large share of private property, individual entrepreneurship, and farms. Among the CIS countries, the Republic of Uzbekistan was the first to allow private property by law, guaranteeing the inviolability of private property.

According to the Constitution of the Republic of Uzbekistan, "private property, like other forms of property, is inviolable and under state protection." In the second half of the 1990s, the share of the private sector in the economy was 40%. By 2005, the non-governmental sector employed 77% or three-quarters of those employed in the economy. This indicates that 2005 was a turning point in the development of entrepreneurship and small business[11].

In 2005, the number of small businesses increased by 31.5 thousand. These developments were especially important in the field of agriculture.

In 2005, more than one million workers were employed on the country's farms, and in that year 66% of raw cotton and more than 55% of grain were grown by farms. The effect of large-scale farm development and government support was reflected in the sector's performance in 2005 and it can be seen in the following diagram2[12].

Diagram 2



If in 2000-2003 the growth rate of agricultural production in the Republic was 4.8% per year, in 2004-2005 this figure was 8.1% . As a result, agricultural production had grown rapidly in those years and achieved high results. This can be seen in the example of raw cotton. In the 2000s, the total global cotton harvest in the Republic exceeded 3.6 million tons. This led to an increase in the share of agriculture in GDP. In 2005, this figure reached 25%scale[13]

Restructuring and liberalization of the economy provided for further acceleration of investment policy. Between 2000 and 2005, investment growth rates averaged 3-5%. But there were big differences in its location on a regional scale. In 2005, 20.1% of investments were made in Tashkent and 10.1% in Tashkent region. Samarkand region accounted for only 4.8%, Khorezm region for 1.9%, and Syrdarya region for 1.6%[11] .

Table 1

No	Placement of investments by regional scale	Share of investment in percent(%)
1	Tashkent city	20.1
2	Region of Tashkent	10.1
3	Samarkand	4.8
4	Khorezm	1.9
5	Syrdarya	1.6

It can be seen from the above given table that the percentage of investment in regions especially, in Samarkand, Khorezm and Syrdarya was minor.

In this field, the economy of that time could not attract large transnational companies. The potential of local investors had not been fully used either. One of the main issues of that period was the organization of exploration, mining and processing of natural resources on the basis of modern technologies by attracting large-scale investments in the economy. At that time, the implementation of this work required, in particular, the expansion of access of Uzbek goods to world markets and

the rapid development of transport communications, modern production and social infrastructure in areas that were underdeveloped. Also, the development of light industry and textiles, which did not fully process the existing raw materials by raising production to a new level, was a very important issue in the 2000s.

The development of new investment programs was also important for the modernization of the sectors that played a key role in increasing the share of GDP in the national economy. Another way to improve the living standards of the people was to gradually reduce the inflation rate by ensuring the stability of the national currency.

According to world scientists, the inflation rate can be managed up to ten units and other investment processes can be stimulated, and if it is higher than 10-12%, it slows down economic growth and increases unemployment. Therefore, as a result of the implementation of a tight monetary policy in the Republic, the inflation rate was reduced from 113.4% in 1994 to 7.8% in 2005. For comparison, Uzbekistan was one of the leading countries in the Commonwealth in terms of low inflation at that time.

It called for accelerating and deepening the process of expanding the liberalization of the economy, reducing the tax burden, simplifying tax procedures by revising the norms of fiscal policy, and increasing the responsibility of tax and financial officials. Investing the remaining funds in the technical revision of enterprises by reducing the tax burden on enterprises was one of the main issues and an important factor in economic development.

If in 2001 the share of enterprises in the investment process was 26.4%, by 2005 this figure was 48.5%. Recognizing that reducing the tax burden could serve to increase the competitiveness of domestic products, develop the economy, thereby increasing GDP and improving the living conditions of the population, concessions

had been created in these areas as well. In the context of developing economic reforms and further liberalization of the economy, it had led to an increase in foreign trade turnover in the Republic. If in 1995 the foreign trade turnover amounted to 6612.6 million US dollars, by 2005 this figure reached 9500.1 million US dollars. At the same time, the volume of exports increased from 3719.9 million US dollars to 6115.0 million US dollars. In recent years, exports of goods and services have grown faster than imports. In 2005 alone, the foreign trade surplus exceeded \$ 1.3 million[12]

One of the important issues of 2005 was the need to make full use of all market instruments in the formation of state budget revenues. Securities were important in this regard. During 2005, the Ministry of Finance of the Republic of Uzbekistan significantly increased its transactions in the primary and secondary markets with Government short-term and medium-term bonds of the Central Bank to increase open market operations. In particular, in 2005 the state held 13 auctions for placement of short-term bonds. During that period, bonds worth 19.3 billion soums were placed, of which 12.1 billion soums were placed at primary auctions, and the rest were placed at secondary auctions worth 7.2 billion soums. The average annual earnings ratio in these trades was 12.4%.[6]

The total volume of government short-term bonds in circulation as of January 1, 2006 amounted to 15.7 billion soums, of which 10.2 billion soums or 64.9% were accounted for by banks, the remaining 5.5 billion soums or 35.1% were accounted for by enterprises. The total amount of medium-term bonds amounted to 33.7 billion soums, of which 73.5% fell to the banks and the remaining 26.5 billion soums to enterprises.[14]

Conclusion

Summing up, it can be said that the financial status of the Republic of Uzbekistan developed noticeably and it served as main

tool for improving economical condition of Republic between 2000 and 2006.

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