

The Importance and Necessity of Liberalization of The Uzbekistan Economy

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Annotation: This article describes the essence of economic liberalization, theoretical and practical measures to ensure economic freedom in a market economy, the strategy of developed countries in liberalization and the stages of introduction of economic liberalization in Uzbekistan today, the pros and cons.

Keywords: Economy, liberalism, liberalization, business, commodity, investment, trade, import, export, license, service, quota.

In the process of transition to a market economy and deepening of market relations in our country, liberalization, democratization of all spheres of socio-political and economic life, acceleration of structural changes in the national economy are the main driving forces of macroeconomic balance. As we know, the word Liberalization is derived from the word Liberalism (French: libéralisme), which means freedom to control oneself, one's behavior, one's property.

At present, according to liberal ideas, the free market mechanism creates the most favorable conditions for effective economic activity and the regulation of social and economic processes; At the same time, regular government intervention is needed for the market and competition to develop normally.

In developing countries, economic liberalization is more likely to mean liberalizing or "opening up" their economies to foreign capital and investment. The three fastest growing economies today; Brazil, China, and India have achieved rapid economic growth over the past few years or decades, from partial "liberalization" of their economies to foreign capital.

The Republic of Uzbekistan has also paid special attention to economic liberalization since the early years of independence. The transition of Uzbekistan to a system of market relations has become the basis for the development of private property and the free movement of commodity-money relations. In this regard, a number of reforms have been carried out in the country.

For example, the Law of the Republic of Uzbekistan "On denationalization and privatization of property" of November 19, 1991, the "Strategy of actions" of the Republic of Uzbekistan, adopted on February 7, 2017, the Republic of Uzbekistan It is worth mentioning the Presidential Decree of January 17, 2017 "On accelerating the sale of state-owned property for business purposes and further simplification of its procedures."

In particular:

Introduced market mechanisms for the sale of state property and land through electronic auctions, including at zero cost to businesses;

comprehensive measures have been taken to improve the competitive environment, create a level playing field for doing business and encourage a healthy competitive environment;

measures have been taken to introduce free prices for fuel and energy resources, bread, flour and other strategic goods;

the practice of individual tax and customs exemptions and privileges that restrict healthy competition in the country's markets has been abolished. Under the current mechanism, tax and customs benefits and preferences are generally provided for industry, industries and regions;

individual tax and customs exemptions and incentives that restrict healthy competition in the domestic market have been abolished. Under the existing mechanism, tax and customs benefits and preferences are provided for industries, sectors and regions;

The third direction of the action strategy adopted in 2017, called "economic development and liberalization", also indicates the importance of liberalization of the economy for the development of the economy of the Republic. The strategy envisages institutional and structural reforms aimed at strengthening macroeconomic stability and maintaining high economic growth, increasing the competitiveness of the national economy, modernization and accelerated development of agriculture, reducing state participation in the economy, aimed at further development and liberalization of the economy. to continue the protection of private property rights and further strengthen its priority position, stimulate the development of small business and private entrepreneurship, integrated and balanced socio-economic development of regions, districts and cities, improve the investment climate implementation of reforms, such as active investment, has been identified as a priority.

In his speech at the 72nd session of the United Nations General Assembly on September 19, 2017, President of the Republic of Uzbekistan Shavkat Mirziyoyev said, "Liberalization of the economic system, the creation of a favorable investment climate are the most important directions of change. We have a simple truth: the richer the people, the richer and more powerful the state. Since the beginning of this month, Uzbekistan has fully switched to a system of free conversion of the national currency. All necessary measures have been taken to mitigate the possible negative consequences for the population. For the first time in our country, the institution of the Ombudsman for Entrepreneurs has been introduced. Taxes on business have been significantly reduced, and access to credit has been expanded. New free economic zones have been

established, which provide a wide range of benefits to investors. Cooperation with international financial institutions is developing successfully, he said, noting that we have re-established partnerships with the European Bank for Reconstruction and Development.

Indeed, the Uzbek economy has undergone significant changes from 2017 to 2022. In particular, the policy of openness of our state to attract foreign investment, economic policy aimed at developing all sectors of the economy has helped to strengthen the macroeconomic position of our country in the world community. Thanks to the principles of liberalization, economic growth in our country has been stable for a number of years. In particular, last year the GDP growth rate was 7.4%.

Liberalization of the economy in Uzbekistan is carried out through the denationalization and privatization of enterprises, de-monopolization and development of competition, the development of small business and private entrepreneurship in all sectors of the national economy. Liberalization as a continuous, ongoing process will continue to improve. Small business and private entrepreneurship, development of family business, consistent implementation of the program "Every family is an entrepreneur" can guarantee it. According to the State Statistics Committee of the Republic of Uzbekistan, 81% of GDP is produced by the private sector and 19% by the public sector. The share of the non-governmental sector in gross agricultural output, retail trade and catering is close to 100%. More than 80% of the employed population work in this system.

In the first stage of the transition to market relations in Uzbekistan, retail and catering outlets, housing and utilities were sold to private hands, provided on a preferential and free basis. The goal was to build and strengthen market skills in the community. In the second and third stages, medium and large enterprises were denationalized.

Every year, more than 30,000 small businesses are established in our country. The share of small business in GDP reached 54.9%, and in industrial production - 45% (Table 1). The share of income from entrepreneurial activities was 52%.

(Table 1)
The share of small business and private entrepreneurship in GDP
(at 0% of the total volume)

Indicators	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GDP	60.8	61.9	60.8	60.9	61.9	64.6	66.8	65.3	62.4	56.0	55.7	54.9
Industry	26.6	28.6	29.0	33.0	36.8	40.6	45.3	41.2	37.4	25.8	27.9	27.0
Construction	52.5	67.6	70.0	70.6	69.5	66.7	66.9	64.8	73.2	75.8	72.5	72.4
Employment	74.3	75.1	75.6	76.7	77.6	77.9	78.2	78.0	76.3	76.2	75.5	-
Export	13.7	18.8	14.0	26.2	27.0	27.0	26.0	22.0	27.2	27.0	20.5	22.3
Import	35.8	34.3	38.6	42.4	45.4	44.5	46.8	53.6	56.2	61.6	51.7	48.7

In the last two years, the state's stake in 378 joint-stock companies has been put up for sale. It should be noted that relatively successful joint-stock companies such as Navoiazot, Ferganaazot, Urgenchekskavator, Kyzylkumtsement, Jizzakh Battery Plant, Kokand Oil and Gas Plant, Alokabank, Banks such as Turonbank and state-owned shares in Uzagrosugurta have been put up for sale.

According to the analysis, today there are 2,965 state-owned enterprises in the country. They have been thoroughly studied by the republican working groups. According to the survey, 81% of enterprises will be privatized. Of these, 1,115 proposed the full sale of state-owned shares, ie a complete reduction of state participation in these enterprises, the sale of 126 state-owned real estate to the private sector, and the retention of 554 enterprises (44 partially state-owned). The decision is reviewed annually due to changes in product markets and conjuncture. The situation may change next year in enterprises that require state participation this year. That's why the list of companies is reviewed every year. "

Among the enterprises in which the state share is fully sold are oil and gas, energy, chemical industry, banks, financial institutions, oil and gas companies, alcohol producers, design institutes, newspapers and magazines, markets and complexes, etc. possible.

Privatized state property is being sold to foreign investors. In particular, hundreds of property complexes were sold to new owners at a value of "0" on the condition of competitive investment. They pledged to invest and create thousands of jobs.

The process of liberalizing the economy should not be the end goal. It would be better if the pace of liberalization, the quality of economic growth, the living standards of the population were equal. Uzbekistan is one of the fastest growing countries in the world in terms of economic growth. As it has achieved its Millennium Development Goals, it has also become a leader in food security. These figures are much higher in the current situation.

In particular, the investment policy for the development of production and other sectors is being consistently pursued in our country. In 2021, investments in the country amounted to \$ 23.5 billion, an increase of 109% compared to 2020. Of which, foreign direct investment amounted to \$ 8.6 billion. During the reporting period, 318 large investment projects worth \$ 5.9 billion were implemented under the state investment program, and 15,710 investment projects worth \$ 7.4 billion were implemented under regional investment programs. These projects have created more than 275,000 new jobs.

The new Development Strategy of Uzbekistan prioritizes the abolition of exclusive rights and the abolition of monopolies in more than 25 activities through the privatization of state-owned companies in order to reduce state participation in the economy and pave the way for the private sector. According to him, in 2022 there will be 14 services, including certification, and in 2023 - 2025 - 11 services, including storage of petroleum products, additional services in rail transportation, maintenance of airports and pre-station complexes, forwarding on the railway. functions such as customization of services are defined.

Liberalization of the economy will increase competition between enterprises. Because in a market economy, private enterprises are increasingly competing with each other. Liberalization creates conditions for a competitive environment. In particular, the increase in the number of competitive enterprises in the existing monopoly enterprises in our country will lead to lower prices and improved quality.

At present, 136 business entities on 11 types of goods (works, services) are registered in the State Register of Natural Monopolies in Uzbekistan. The republican section of the register includes “Urgenchtransgaz”, UK, “Uzbekhydroenergo” JSC, “National Electric Networks of Uzbekistan” JSC, “Regional Electric Networks” JSC, “Uzbekneftegaz” JSC, “Uztransgaz” JSC, “Hududgaztaminot JSC, Uzbekistan Railways JSC, Tuyamuyin-Nukus Interregional Water Pipeline Management State Unitary Enterprise and other enterprises are among them.

Despite the measures taken to curb monopolistic activities in the country, including the establishment of new enterprises, the development of private entrepreneurship, the introduction of new businesses in commodity markets, monopolies in a number of sectors remain. One of the reasons for this is the state's protectionist policy.

Protectionist policy is a policy of protecting the domestic market from external markets through various economic restrictions. When protectionist policies are pursued, there are many barriers to free trade. The main ones are:

Customs duties. Customs duties are excise taxes on imported goods, which can be introduced for profit or protection;

Import quotas. Import quotas set the maximum amount of goods that can be imported over a period of time; Non-tariff barriers. Undefined barriers include licensing systems, product quality standards, or simple administrative restrictions;

Voluntary export restrictions. Voluntary export restrictions are a relatively new form of trade barrier. In this case, foreign firms voluntarily restrict their exports to a particular country.

Combating protectionism and liberalizing foreign trade is one of the principles of a market economy. Our country is also taking a number of measures to mitigate protectionism based on market principles. Examples include strengthening cooperation with other countries, developing foreign trade, and work in the transport and logistics system. In October 2018, Uzbekistan took another important step in the liberalization of foreign and foreign trade - the Presidential Decree "On measures to further liberalize trade and develop competition in commodity markets." It simplifies the mechanism of sale of highly liquid imported products and removes restrictions on it: "Sale of imported highly liquid products in the domestic market at the discretion of the owners, including on the stock exchange." This means that imported products can now be sold in the domestic market without any restrictions - directly to both companies (consumers) and through the stock exchange. The establishment of transport and logistics centers is also important for the development of foreign trade in the country. In this regard, we can say that there are three international logistics centers in our country. These are Navoi International Logistics Center, Angren Logistics Center and Namangan Logistics Center.

In the 2018 World Bank Logistics Efficiency Report, Uzbekistan ranked 99th out of 160 countries. Criteria such as customs efficiency, quality of transport infrastructure, ease of organizing international transportation, knowledge and capacity of specialists in the field, the ability to track cargo and the degree of timely delivery of goods were taken into account in developing the report. Improving logistics efficiency is especially important in our country, which is geographically inconvenient and does not have direct access to seaports, which are the cheapest mode of transport, even though neighboring countries.

Conclusion

One of the main provisions of the market economy is the liberalization of the economy, the formation of a free competitive environment, the stimulation of the private sector, the radical reform of monopoly enterprises. With this in mind, the President of Uzbekistan Sh. Mirziyoyev has developed two major strategic programs over the past six years. The first is the “Action Strategy” for 2017-2021, and the second is the “Development Strategy” for 2022-2026. 1.4 times increase in industrial production ”was set as a strategic goal. In order to liberalize the economy, first of all, it is necessary to strengthen the policy of liberalization of foreign trade, reduction of customs duties and restriction of monopolies. It is necessary to achieve economic freedom by reducing the human factor in economic relations through the introduction of the digital economy in the economy. Expansion of international logistics centers It is necessary to establish international logistics centers in each region, increase the number of enterprises that are competitive with monopolistic enterprises, and establish a system of access to sea transport.

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