

STRUCTURAL TRANSFORMATION TENDENCIES IN UZBEKISTAN

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Abstract: The article discusses the processes of transformation in Uzbekistan and its main factors. Based on the experiences of developed countries, scientific suggestions are given regarding the national structure transformation.

Keywords: structural transformation, economic growth, employment, industrialization, export, industrial policy.

Introduction

The experience of economic development of developed countries since the industrial revolution is stable in any country economic growth and structural transformation between processes shows the existence of organic connection .

Developed countries have achieved stable economic development based on the implementation of systematic structural transformation. The rapid economic growth observed in East Asian countries during the next half century is seen as the result of successful structural transformation processes in these economies. [2]

Nowadays, it is an economy The level of structural transformation is high in rapidly developing countries . The point is that economic growth in these countries will shift available resources from low-productivity industries to high-productivity ones . to networks with is being implemented at the expense of effective direction . From this point of view, structural transformation is the most important factor of economic growth and sustainable development is being accepted . One of the most important problems of developing countries emerges in the process of structural transformation. Structural transformation represents the gradual movement of the share of economic sectors in the gross domestic product and employment, first from agriculture to the industrial sector, and then to the service sector. At the same time, the occurrence of diversification processes from the production of consumer goods to the production of investment goods within the manufacturing industry is an

important sign of structural transformation. As a result of the structural transformation, along with the increase in productivity in the agricultural sector, the share of the sector in the economy will decrease, the volume of production of products and services based on advanced technology in the manufacturing and service sectors will decrease, and the share of these sectors in foreign trade and gross domestic product will increase.

In recent years, active reforms have been carried out in our country to liberalize the economy and increase its openness. Strategic programs are being adopted in connection with the integration into the processes of globalization in the world and by ensuring the competitiveness and efficiency of the national industry, increasing its share in world exports, organizing production based on modern technologies, and forming an industrial system with a qualified workforce.

In the Decree "On the development strategy of New Uzbekistan for 2022-2026" adopted by the President of the Republic of Uzbekistan Sh.M. Mirziyoyev, it is aimed at "ensuring the stability of the national economy and increasing the share of industry in the gross domestic product continuing the industrial policy and increasing the volume of production of industrial products by 1.4 times" is set as a priority goal. [1]

In achieving the above goals, in-depth scientific research of structural transformation trends and its main factors in our country, as well as studying the conditions and possibilities of using these experiences in the development of national industrial policy is an urgent task.

Literature review

In the economic literature and in their scientific views, many economists have expressed their opinions on structural transformation in different directions.

of the concept of structural transformation is the redistribution of the share of sectors in the economy, and theoretical considerations about this A. Although it goes back to Smith, in fact, this concept was first introduced to science by S. Introduced by Kuznets. [3]

2017 report of the World Bank, the concept of structural transformation is defined as the activity of ensuring the rapid transfer of existing resources to modern economic activities that provide relatively high economic productivity. [4]

The analysis of economic literature shows that the processes of structural transformation occur mainly under the influence of two factors, i.e. factors related to the

market system and factors related to the government. The order in which the above factors are implemented varies according to the country's socio-economic system, demographic structure, and the relationship between the state and private sectors in the economy. A number of scientific concepts related to the structural transformation in the economy have been developed, and in these scientific researches, opinions related to the role, ratio and importance of industry, agriculture and service sectors in the economy are put forward.

is the "Clark - Fisher hypothesis" put forward by A. Fisher (1938) and K. Clark (1940) . According to Clark and Fisher's "Three Sectors" model, structural transformation processes tend to dominate agriculture (the first sector), industry (the second sector) and service sectors (the third sector) in the order of their share in the economy. consists of In other words, structural transformation is a redistribution of economic activity and capital between the above three sectors. [5]

A. Toffler (1970) and D. Bell (1973), in the 1970s Improving Clark - Fisher's "Three Sectors" model, he also includes the fourth (quaternary) and fifth sectors (quinner) in the model. According to Toffler and Bell, in the next stages of development, a "knowledge society" will emerge, in the new stage of economic development, knowledge and related information and communication technologies will take the leading place as the main factors of production compared to labor force and capital. [6]

Another view of structural transformation is the Zinger-Prebish concept, which was separately advanced by the German economist H. Zinger and the Argentinian economist R. Prebish. The Zinger-Prebish concept is based on the view that the index of foreign trade conditions between agricultural and industrial products will change in the long run to the detriment of countries that export agricultural products.[7]

A number of scientific researches have been carried out by our national researchers on specific features and factors of structural transformation in Uzbekistan.

Economist SEA'zam (2018) conducted scientific research on the transformation of industrial policy in the context of foreign trade liberalization in Uzbekistan. [8]

Another economist, NBXolmatov (2003), conducted scientific research on the theoretical foundations and laws of industrialization of national production. [9]

Research methodology

The article analyzed the trends of structural transformation in Uzbekistan. In the research process, the study of theoretical sources, statistical analysis, comparative analysis, and grouping methods were effectively used.

Analysis and results

From the second half of 2016, the economy of Uzbekistan entered a new stage of rapid transformation processes. The adoption of the action strategy on the five priority areas of development of the Republic of Uzbekistan in 2017-2021 was an important factor in solving the problems related to the strategic development of the industrial sector of the national economy. In particular, within the framework of the action strategy, the foreign exchange market was liberalized, tax reforms were carried out, measures were taken to reduce monopolies and the state's share in the market of goods and services. Issues of all-round assistance to business entities in increasing the production of competitive, export-oriented and high value-added products have been included among the most important tasks of government bodies at all levels. Particular attention was paid to the strengthening of state measures to support exporting firms in the direction of expanding the nomenclature of goods and export geography. At the same time, in the strategy of actions, the main attention was focused on accelerating the processes of diversification of industrial sectors, priority development of production sectors based on high technology.

In 2017-2021, within the framework of the action strategy, **sectors such as textiles, electrical engineering, automobile industry, building materials industry, chemical and petrochemical industry, agricultural machinery, energy industry, which are considered to be the leading industries development** strategies were adopted. In order to increase the economic potential of the regions, **free economic zones** were established, they were provided with the appropriate benefits and preferences to attract foreign investors. **Small industrial zones** specialized in leading sectors were created, and necessary infrastructures were created for their effective operation. Innovative technological parks with a large production capacity were established, where the production of products created through the achievements of modern science was launched.

On November 6, 2021, at the solemn ceremony dedicated to the inauguration of the President of the Republic of Uzbekistan Shavkat Mirziyoyev, the re-elected head of the

country presented the "New Development Strategy of Uzbekistan", which includes the main priorities for the next five years. The New Development Strategy of Uzbekistan, presented by the President, consists of seven directions, and it is significant because it is an organic continuation of the Strategy of Actions adopted five years ago and the successful reforms implemented within it. In 2022-2026, effective continuation of the reforms implemented in the above-mentioned areas , mobilization of existing resources and opportunities, **further increase of the gross domestic product per capita** , and by 2030 per capita, the goal is to make Uzbekistan one of the countries with a higher than average per capita income among the countries of the world.

Of course, in recent years, significant results have been achieved in the implementation of the above-mentioned important priorities, but the economic potential of our country is high, and it cannot be said that it is being used effectively enough. By analyzing the statistical indicators of the following periods and comparing them with the previous periods, it will be possible to assess the situation more accurately.

In Uzbekistan, between 2000 and 2016, the processes of structural transformation in the national economy were slow. During this period, the share of the agricultural sector decreased by 2.3%, the share of the industrial sector increased by 2%, while the service network was the leader among the sectors, while there was no significant change in the share of the sector in the economy. (See Table 1)

Table 1.

The dynamics of changes in the share of economic sectors in gross added value in Uzbekistan.[10]

years/networks	agriculture	industry	
		(before h added construction)	services
2000	34.4	23.1	42.5
2001	34.0	22.6	43.4
2002	34.5	22.2	43.3
2003	33.0	23.7	43.3
2004	30.8	26.0	43.2
2005	29.5	29.1	41.4

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2006	27.9	29.8	42.3
2007	25.9	29.9	44.2
2008	21.9	32.2	45.9
2009	20.6	33.6	45.8
2010	30.6	24.1	45.3
2011	33.5	22.3	44.2
2012	32.6	23.0	44.4
2013	31.0	23.8	45.2
2014	31.8	24.5	43.7
2015	32.1	24.8	43.1
2016	32.1	25.1	42.8
2010-2016 change in	-2.3	2	0.3
2017	32.2	26.5	41.4
2018	29.7	30.5	39.8
2019	26.6	33.8	39.6
2020	26.8	33.4	39.7
2021	26.5	33.9	39.6
2022	25.1	33.4	41.5
2017-2022 change in	-7.1	6.9	0.1

Source: Statistical Agency of the President of the Republic of Uzbekistan compiled by the author based on his data.

In the period after 2016, the processes of structural transformation have accelerated. The share of industry in gross value added was 33.4 percent in 2022, or a change of 6.9 percent from 2017-2022.

The share of the agricultural sector in the gross added value has a decreasing trend, from 32.2 percent in 2017 to 25.1 percent in 2022, or a 7.1 percent decrease in 2022 compared to 2017. While the service sector maintained its leading position in the economy,

the sector's share in the gross added value changed from 41.4 percent in 2017 to 41.5 percent in 2022. If we represent the above information in the form of a picture, we will have the following. (See Figure 1)

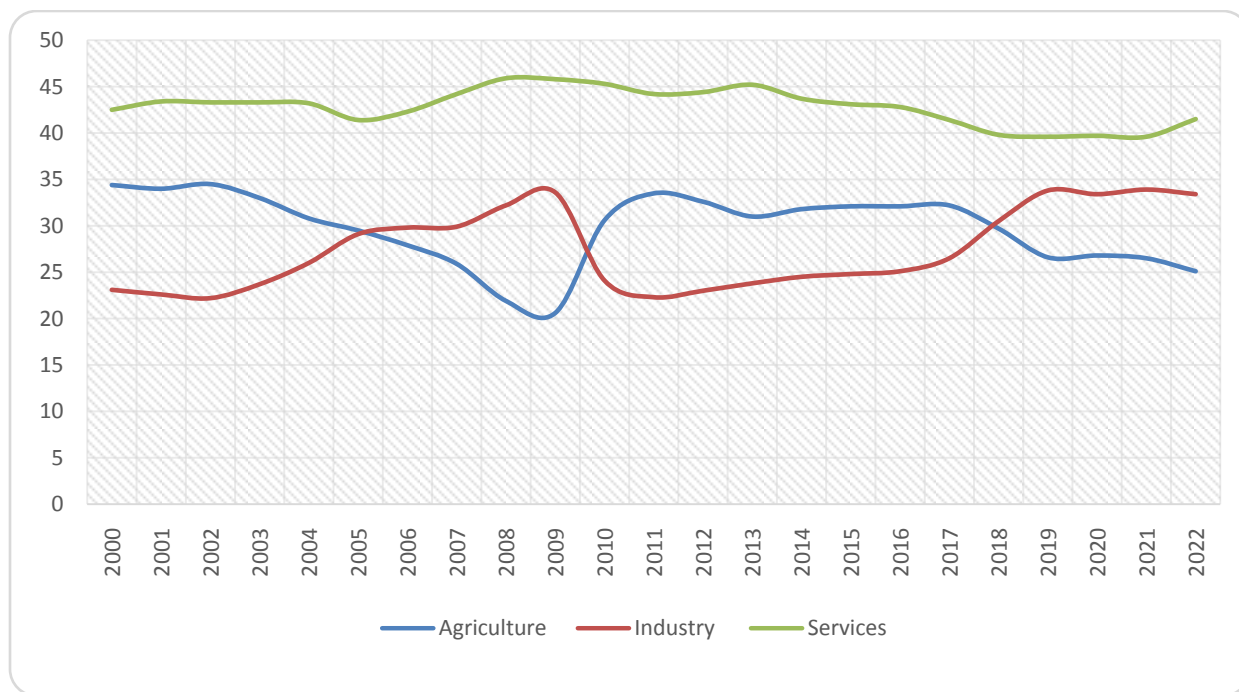


Figure 1. Dynamics of changes in the share of economic sectors in gross added value in Uzbekistan, %

Source: Statistical Agency of the President of the Republic of Uzbekistan prepared by the author based on his data.

The analysis shows that after 2017, the industry's share of gross value added increased rapidly, and the growth rate stabilized after 2020s. In the national industry between 2017 and 2022, the rate of rapid growth of the share of industrial products in the gross added value, the liberalization of the socio-economic and political life of our country, the acceleration of integration into the world community, and the industrialization of the national economy, which began in the second half of 2016 can be explained by the active industrial policy in the direction of increasing its share, modernizing and diversifying the industrial network, encouraging the introduction of innovations into the industry, and technologically updating production capacities.

In the assessment of national industrialization trends and structural transformation processes, comparison of newly industrialized and regional countries with closely related processes helps to more accurately study the current situation. (See: Table 2.)

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According to the table, the analysis of modern trends of industrialization processes in the countries of the world shows that according to the criterion of the share of industrial production in the gross domestic product, **the group of countries with an income above the average has the highest index. In particular**, the share of industrial production in GDP in 2021 in countries with higher than average income is 36 percent, which is 22.9 percent for high-income countries and 27.6 percent for the world average. is high. For example, in Indonesia, which is in the group of countries with a higher than average income, this indicator was 39.9 percent, in China it was 39.4 percent, and in Malaysia it was 37.8 percent.

Table 2

Groups of world countries according to the level of economic development and the share of industry in the gross domestic product in some selected world countries 2000-2021 % [11]

countries, groups / years	country	2000	2003	2004	2005	2006	2007	2008	2009	2020	2021
China		45.5	44.2	43.1	40.8	39.6	39.9	39.7	38.6	37.8	39.4
Indonesia		42.0	42.6	41.9	40.0	39.3	39.4	39.7	39.0	38.3	39.9
South Korea		34.8	34.4	34.1	34.1	34.3	34.8	34.0	32.7	32.5	32.4
Malaysia		48.3	39.9	39.9	38.4	37.7	38.1	38.3	37.5	36.0	37.8
Turkey		26.8	27.7	28.1	27.8	28.1	29.1	29.4	27.3	28.0	31.1
Russia		33.9	28.2	27.9	29.8	29.2	30.7	32.6	32.2	29.8	32.2
Kazakhstan		37.8	33.7	33.2	30.9	32.0	32.3	33.5	33.0	33.1	35.3
Kyrgyzstan		29.2	24.8	23.9	25.1	26.5	27.3	27.5	28.5	29.2	26.7
Tajikistan		35.3	23.1	22.6	30.2	32.2	31.8	34.4	33.1	33.8	*
Uzbekistan		20.2	21.3	22.1	22.5	22.9	23.6	27.8	31.5	31.7	32
Low - income countries		26.5	23.7	23.6	22.8	22.4	22.7	23.0	22.6	22.0	22.9
Upper-middle income countries		35.0	36.2	35.8	35.0	34.2	34.5	35.3	34.5	34.1	36.0
Middle income countries		33.9	35.2	34.7	33.6	32.8	33.2	33.9	33.2	32.7	34.5
Lower middle income countries		33.0	32.3	31.2	29.3	28.8	29.4	29.8	29.1	28.7	29.8
Low income countries		21.7	23.0	23.8	22.8	23.3	23.6	27.4	26.6	26.5	26.0
The average of the countries of the world		27.8	27.8	27.5	26.8	26.3	26.8	27.2	26.7	26.2	27.6

Source: World Bank <https://data.worldbank.org/indicatorcompiled> by the author based on the information of the site . *information is not available

In connection with the transition to a "post-industrial society" in high-income countries, there is a tendency to shift leadership from the industrial sector to the service sector among economic sectors, as a result of which the share of industry in the gross domestic product decreases. It can also be seen from the data in the table, the share of industry in the GDP of high-income countries fell from 26.5 percent in 2000 to 22.9 percent in 2021.

industrial production in the gross domestic product in Uzbekistan increased passively in 2000-2016, that is, it increased by 2.7% during this period. In 2016, the share of industrial production in the gross domestic product in Uzbekistan was 22.9 percent, and this result was behind the low-income countries' indicator of 23.3 percent and the world average of 26.3 percent.

Since 2016, the industrialization process has accelerated, the share of national industry in the gross domestic product has increased from 22.9 percent in 2016 to 32 percent in 2021, i.e. an additional growth of 9.1 percent has been achieved. By 2021, the indicator of our country has risen above the average indicator of low-income countries by 29.8 percent and the average indicator of world countries by 27.6 percent. This change can be evaluated as a positive effect of the industrial policy that has been implemented in our country since the second half of 2016. However, the data in the table shows that in 2021, Uzbekistan is behind the 36 percent line, which is the indicator of countries with above-average income in terms of the share of national industry in GDP. In the newly industrialized countries of South and East Asia, China and Malaysia, it can be seen that the share of industry in GDP has been higher than 45 percent in some years, only to be close to 40 percent in 2021.

Based on the above analysis, it can be said that the potential of national industrial production has increased in the new stage of Uzbekistan's development. According to the composition of sectors in the national economy, the increase of the share of the industrial sector at the expense of the decrease of the share of the agricultural sector can be assessed as a positive trend. However, the existing economic potential was not fully used in the implementation of structural transformation. The fact that the added value created in the national industry, in terms of the share of the gross domestic product, lags behind the indicator of countries with a higher than average income indicates the existence of problems

that are expected to be solved in this area and makes it necessary to further activate the structural-investment policy.

Conclusions

The data of the above analysis shows that during the past period, rapid structural transformation processes took place in the national economy. As a result, the share of the industrial sector in the country's economy and the production potential have increased significantly. At the same time, taking into account the great potential for the development of the industrial sector in our country, it is possible to propose the following directions that ensure positive structural changes in the industry:

- conducting a selective and flexible industrial policy, increasing the share of the private sector in the industry and ensuring transparency in privatization processes;
- implementation of structural changes in the industry by priority development of industries with high added value and high technological intensity;
- increasing labor productivity and the level of employment in the economy by diversifying the composition of export goods of industrial sectors at the expense of processing local raw materials;
- a favorable investment environment and conditions and further improvement of the institutional and transport-logistics infrastructure in order to stimulate the export of goods with high added value.

By solving the above-mentioned issues, it will be possible to achieve sustainable economic growth, ensure employment and further improve the standard of living of the population by ensuring rapid structural transformation.

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