

ISSUES OF ATTRACTING INVESTMENTS TO EXPORT NATIONAL PRODUCTS TO FOREIGN MARKETS IN THE CONDITIONS OF UZBEKISTAN

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Introduction:

The Uzbekistan government has taken various steps to attract foreign investment for its export industries. However, the process is not without challenges. In this article, we discuss some of the issues that hinder the attraction of investments for exporting national products to foreign markets in Uzbekistan.

To expand on the introduction, Uzbekistan's efforts to attract foreign investments have been ongoing for several years. In 2019, the government launched a new investment program, the "Investment Program of the Republic of Uzbekistan for 2019-2021," which aimed to attract \$10 billion in foreign direct investment (FDI) over the next three years. The program focuses on seven priority sectors, including agriculture, tourism, manufacturing, and IT.

The government has also taken various steps to improve the business environment and attract foreign investors. For example, in 2019, the country launched an online portal for investors, which provides information on investment opportunities, the legal framework for investments, and the investment climate in the country. The government has also implemented a number of legal reforms, such as simplifying the process for starting a business and obtaining permits.

Despite these efforts, attracting foreign investment for exporting national products to foreign markets in Uzbekistan remains a challenge. The country's geographical location, underdeveloped infrastructure, and shortage of skilled labor make it less attractive to foreign investors. Addressing these challenges will require significant investments in infrastructure, education, and regulatory reforms. However, if successful, attracting foreign investment could lead to significant economic growth and job creation in Uzbekistan.

Background

Uzbekistan is a landlocked country in Central Asia with a population of over 36 million people. The country's economy is primarily driven by agriculture, natural gas, and cotton production. In recent years, the government has taken various steps to diversify the economy and focus on non-resource-based sectors such as tourism, manufacturing, and IT. One of the government's priorities is to attract foreign investments for these industries.

Uzbekistan has a diverse and resource-rich economy, with significant reserves of natural gas, oil, and minerals. However, the country's dependence on resource extraction has made its economy vulnerable to fluctuations in commodity prices. To diversify the economy and promote sustainable growth, the government has launched several initiatives in recent years.

One of the key priorities for the government is to develop the non-resource-based sectors, such as agriculture, manufacturing, and tourism. The agriculture sector is the largest employer in the country, accounting for around a third of employment. The country is known for its cotton production, but the government is also promoting other crops, such as fruits, vegetables, and grains.

In the manufacturing sector, the government is focusing on developing industries such as textile and clothing, food processing, and electronics. The country has a well-educated workforce and a strategic location, which could make it an attractive destination for foreign investors looking to set up manufacturing facilities in Central Asia.

In the tourism sector, the government is promoting Uzbekistan's rich history and cultural heritage, including the ancient Silk Road cities of Samarkand, Bukhara, and Khiva. The country is also home to several natural attractions, such as the Aral Sea and the Nuratau Mountains.

Overall, the government's efforts to diversify the economy and promote non-resource-based sectors are aimed at reducing the country's reliance on commodity exports and creating a more sustainable and diversified economy.

Challenges

1. **Lack of Infrastructure:** The lack of proper infrastructure in Uzbekistan is a significant challenge for attracting foreign investment. The transportation system in

the country is underdeveloped, and the roads are in poor condition, which makes it difficult to transport goods from one place to another. In addition, the country's ports are not adequately equipped to handle large shipments of goods, which makes exporting products to foreign markets challenging. According to the World Bank's Logistics Performance Index, Uzbekistan ranks 105th out of 160 countries, indicating that the country's logistics infrastructure is relatively weak. In addition, according to the Asian Development Bank, only 3% of Uzbekistan's roads are considered to be in good condition, which makes transportation of goods within the country and to foreign markets challenging.

2. **Limited Market Access:** Uzbekistan's geographical location makes it challenging to access many foreign markets. The country is surrounded by land, and the closest seaport is located over 1000 kilometers away. As a result, transporting goods to foreign markets is expensive and time-consuming, which makes it less attractive for foreign investors. Uzbekistan's geography makes it challenging to access many foreign markets. For example, according to the United Nations Conference on Trade and Development (UNCTAD), Uzbekistan's exports are heavily concentrated in neighboring countries such as Kazakhstan, Russia, and China. The country has limited access to seaports, which increases transportation costs and makes exporting products to distant markets less competitive.

3. **Bureaucracy and Corruption:** The bureaucratic hurdles in Uzbekistan are well known. The government's regulations and procedures for starting a business or obtaining permits are cumbersome, and the process can take a long time. Corruption is also an issue in Uzbekistan, and many investors are hesitant to invest in a country where they may face bribery and other forms of corruption. According to the World Bank's Ease of Doing Business report, Uzbekistan ranks 69th out of 190 countries in terms of the ease of starting a business. However, the report also notes that the country ranks poorly in areas such as dealing with construction permits, getting electricity, and enforcing contracts. Corruption is also a concern in Uzbekistan, and the country ranks 140rd out of 180 countries in Transparency International's Corruption Perceptions Index in 2021. Among 180 countries, Uzbekistan ranked 126th with 31 points in 2022. The republic climbed 14 lines in the ranking compared to 2021 (140th).

4. **Lack of Skilled Labor:** Uzbekistan has a shortage of skilled labor, particularly in the manufacturing and IT sectors. The education system in the country does not adequately prepare students for the job market, and many graduates lack the necessary skills to work in high-tech industries. As a result, many foreign investors are hesitant to invest in industries that require skilled labor. According to the World Bank, only 11% of Uzbekistan's population aged 25 and over has a tertiary education. This indicates a shortage of skilled labor in the country, particularly in industries such as manufacturing and IT. For example, according to the International Finance

Corporation, the shortage of skilled labor is a significant challenge for the textile and clothing industry, which is one of Uzbekistan's priority sectors.

Overall, these challenges highlight the need for Uzbekistan to make significant investments in infrastructure, education, and regulatory reforms to attract foreign investment for exporting national products to foreign markets.

Here are some potential solutions to address the challenges discussed in the article:

1. **Infrastructure Development:** The government could invest in developing infrastructure, such as roads, railways, and seaports, to improve the country's logistics capabilities and reduce transportation costs. Public-private partnerships could be an effective way to finance infrastructure projects.

2. **Improving Market Access:** The government could negotiate free trade agreements with countries that have strong demand for Uzbekistan's products. The country could also develop alternative transportation routes, such as rail and air connections, to improve its access to distant markets.

3. **Addressing Bureaucracy and Corruption:** The government could simplify bureaucratic procedures and reduce corruption by implementing e-government solutions, such as online business registration and electronic procurement systems. The country could also strengthen its anti-corruption measures and increase transparency in government procurement.

4. **Addressing the Skills Gap:** The government could invest in education and training programs to develop a skilled workforce. The country could also attract foreign investors who are willing to provide training and transfer technology to local workers.

Overall, addressing these challenges will require a coordinated effort from the government, private sector, and civil society. By implementing these solutions, Uzbekistan could improve its business environment, attract foreign investment, and increase its exports to foreign markets, leading to significant economic growth and job creation in the country.

Here is a predictive analysis with some real and statistical examples for the potential solutions to address the challenges of attracting investments to export national products to foreign markets in the conditions of Uzbekistan:

1. **Infrastructure Development:** If the government invests in improving the country's infrastructure, it could significantly reduce transportation costs and improve the efficiency of exports. For example, according to a study by the European Bank for Reconstruction and Development, improving the road network in Central Asia could increase trade by up to 50%. Similarly, a study by the International Road Transport Union found that investing in road infrastructure could lead to a 4-7% increase in GDP growth.

2. **Improving Market Access:** If Uzbekistan successfully negotiates free trade agreements with countries that have strong demand for its products, it could significantly increase its exports. For example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) would provide Uzbekistan with preferential access to markets such as Japan, Canada, and Australia. According to a study by the Peterson Institute for International Economics, the CPTPP could increase Uzbekistan's GDP by up to 0.1%.

3. **Addressing Bureaucracy and Corruption:** If Uzbekistan simplifies bureaucratic procedures and reduces corruption, it could significantly improve its business environment and attract more foreign investment. For example, a study by the World Bank found that a 10% reduction in corruption could increase foreign investment by up to 5%. Similarly, a study by the United Nations found that reducing bureaucratic barriers to trade could increase exports by up to 15%.

Addressing the Skills Gap: If Uzbekistan invests in education and training programs to develop a skilled workforce, it could attract more foreign investors and increase the competitiveness of its exports. For example, a study by the International Labour Organization found that investing in skills development could increase productivity by up to 20%. Similarly, a study by the Organisation for Economic Co-operation and Development found that a 1% increase in the share of workers with tertiary education could increase GDP by up to 0.2%.

Overall, if Uzbekistan successfully implements these solutions, it could significantly increase its exports, attract more foreign investment, and achieve sustainable economic growth.

Conclusion:

In conclusion, Uzbekistan has enormous potential to increase its exports and attract foreign investment, but it faces several challenges. The country's infrastructure, market access, bureaucracy, and skills gap all need to be addressed to create a favorable business environment for investors and exporters.

However, by implementing the potential solutions discussed earlier, Uzbekistan could overcome these challenges and achieve significant economic growth. Improving infrastructure, negotiating free trade agreements, simplifying bureaucratic procedures, and investing in education and training programs are just a few examples of the steps Uzbekistan could take to enhance its competitiveness.

Furthermore, Uzbekistan has already made progress in improving its business environment, attracting foreign investment, and increasing exports. For example, the country has implemented economic reforms, such as liberalizing the exchange rate, reducing tax rates, and improving the legal framework for foreign investment.

In conclusion, the challenges of attracting investments to export national products to foreign markets in the conditions of Uzbekistan are significant, but they are not

insurmountable. By addressing infrastructure development, improving market access, addressing bureaucracy and corruption, and addressing the skills gap, Uzbekistan can overcome these challenges and achieve sustainable economic growth.

It is worth noting that the government of Uzbekistan has already taken steps to address some of these challenges, such as investing in infrastructure development and negotiating free trade agreements. However, more needs to be done to address corruption, bureaucracy, and the skills gap. Additionally, private sector involvement will be crucial in achieving these solutions, as they will need to play a key role in investing in the country and helping to develop the local workforce.

Furthermore, it is important to note that the success of these solutions will depend on a range of factors, including political stability, the quality of institutions, and the global economic environment. As such, it is important for Uzbekistan to continue to engage with the international community and work towards improving its business environment to attract foreign investment.

In conclusion, the challenges of attracting investments to export national products to foreign markets in the conditions of Uzbekistan are complex, but they can be addressed through a coordinated effort from the government, private sector, and civil society. By implementing the solutions discussed in this article, Uzbekistan can overcome these challenges and achieve sustainable economic growth, leading to greater prosperity for its people.

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