



Need for revamping the systems of State regulation and essential support of entrepreneurship in the wake of the progressive globalization of Uzbekistan

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DOI: 10.5281/zenodo.7362764

Submission Date: 12th Oct. 2022 | Published Date: 26th Nov. 2022

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Abstract

Gaining independence from the Former Soviet Union since 1991, in the wake of Uzbekistan's mandate of globalization and open economy, noteworthy success has been recorded amidst the emergence of a strong need for thorough and evolutionary reforms. The present article reviews and evaluates landmarks in the progression in the system of regulation by the State and its support of entrepreneurship currently prevailing in the country, citing parallels in other Former Soviet Republics. Based on historical evidence, four distinct historic phases are conceived, clearly dividing the history of formation of entrepreneurial structures, and detailing distinct stages in the structural development of State regulation and the State support of entrepreneurship, outlining essential norms and reforms for subsequent progression towards the desired stated end.

Keywords: State Regulation, entrepreneurship, market relations, Entrepreneurship Support.

INTRODUCTION

The history of global market relations of Uzbekistan is deeply rooted in ancient times, highlighted by several hundreds of years of the then famously busy and prosperous Silk Trade Routes. Well over a thousand years, since then, the merchants of Samarkand, Bukhara and Khiva have incessantly exported highly aesthetic and competitive goods mainly to India, China, the Middle East, Russia, and Western Europe, with the government incentivizing progressive local industrial production.

After gaining independence recently in 1991, the Republic of Uzbekistan has actively stepped into realistically following the global pathway to progressive entrepreneurship, consequently, visualizing some significant landmarks in success. In these years that have followed, nevertheless, the market economy here has developed at its own speed, owing chiefly to the uneven rate of evolution in factors such as the formation, adoption, and implementation of effective laws governing the market economy. The same, however, has undeniably undergone progressive metamorphosis in the last 30 years of post-Soviet era, stressing the aspects of local, rather than the erstwhile often unrealistic solely global targets. Such an evolution is uneven also due to several other reasons, among which must be included the variable seasonal impacts of natural and climatic conditions against the backdrop of limitations governing features of structures and resources (Dani, et al, 2019, 2022; Dani, 2020, a, b), notwithstanding the national economic complexities, as well as the traditions and customs that shape the consumer and export mindset.

Tadjibaeva (2019) and Eshee et al. (2013) present extensive accounts of some of the recent landmarks during the journey to present-day transformation of Uzbekistan's economy, along with factors elevating its global standing as the fifth largest exporter of cotton and several other goods. Taking into account our own research findings (Amonov, 2012, a, b, c, 2014; 2021; Bagiev and Amonov, 2014), as well as those by contemporary national and global economists (Eshee et al. (2011); Gulaymov (2004); Gulyamov et al. (2007); Khadjimuradov (1997); Kushlin (2010); Nurimbetov and Saatova (2020); Rakhmatov (1997); Zainiddin (2018), reflecting on merits and demerits of state regulation of the economy and support for entrepreneurship in Uzbekistan, it becomes necessary to categorize and demarcate the historical Post-Soviet

Era years of progress in the formation and development of market relations in the Republic, which, as we presently propose, are best viewed as ones having witnessed the following four distinct phases..

First Stage: Formation and Development of Market Relations (1991–1995)

In the framework of this relatively shorter time, the legislative framework necessary for the formation and development of private entrepreneurial activity was created. Small business enterprise was identified and stressed as the foundation for the economy of the future of Uzbekistan. Therefore, nearly all government decisions were preferentially aimed at creating all the necessary conditions for its effective functioning.

Subsequently during these years, extended scope for small-scale privatization was conceived and implemented, enclosing housing stock, trade enterprises, the service sector and an enterprise for the procurement of agricultural products, followed by medium and large-scale enterprises (light industry, transport and construction industries). These were rapidly transformed into commercial economic entities of a non-state form of ownership - mainly into joint-stock companies. In some major enterprises of strategic importance, the stipulated State share was maintained at the rate of a minimum 51%. The remaining blocks of shares were sold in the primary stock market.

By the mid-1990s, a new system of state and economic management bodies had been effectively created. It consisted of a unicameral parliament that exercised the powers of government, comprising ministries, departments and sectoral economic associations, local government bodies and local councils of people's deputies, and, finally, citizens' self-government bodies. At this stage, two fundamentally important challenges were resolved in the Republic. First, the severe disadvantages of the command-administrative system were overcome and economic stability was made possible. Secondly, the foundation was laid for the formation of market relations and economic reforms, as also the legal foundations for strengthening market relations were laid.

A somewhat similar trend was also observed in the neighboring country of the Republic of Kazakhstan. The development of entrepreneurship in Kazakhstan (1991-1996) took place as transition from an administrative-command to a market economy. After acquisition of sovereignty by Kazakhstan in 1990, there was a sharp increase in the number of small enterprises with all kinds of ownership, as well as in the privatization of state property. However, since 1994 there has been a decline in entrepreneurial activity, largely attributed to exorbitant taxes and high bank interest rates (Anon, 2021).

Second Stage: Recovery of the Economy (1996-2003)

Objectively resolving the challenges posed by the first stage has made it possible for Uzbekistan during this second stage, the nation having moved on to creating congenial conditions necessary for economic development and the growth of real income. First of all, the State pursued a policy to support the activities of the enterprises of industries listed as a priority, which were selectively protected from external competition with the help of tariff and non-tariff barriers. Also, towards this end, the commercial banks were restructured, so as facilitate preferential loans to the priority sector industries. Remarkably so, at this stage Uzbekistan managed to step away from excessive dependence on the centuries old practice of prioritized cotton exports, facilitating in turn, self-sufficiency in grain and energy resources. A historic internationally partnered (General Motors, USA) large-scale industrial plant to produce passenger cars was launched in the city of Asaka near Andijan, and a similar one for freight and passenger transport vehicle production, in the city of Samarkand.

Since 1998, we also began denationalization of large industrial enterprises. For their rapid development, foreign investments were attracted. These privatizations of enterprises were carried out on the basis of an individual approach to create favorable conditions for investors. Part of the funds received from the sale of state blocks of shares were returned to the entrepreneurs, for subsequent investment in the development of production. In some cases, there was a free privatization process, only with the terms of the obligation to invest capital in the development of the enterprise.

In 2002, following a referendum, a bicameral parliament was formed: the lower house - the Legislative Chamber (which works on a permanent basis and comprises professional lawyers, economists and other specialists in various fields), and the upper house (Senate). Simultaneously, state-owned companies were formed in nearly each industry, which gives the state the opportunity indirectly, to intervene when needed in the activities of businesses, to improve economic policy, improve infrastructure, and create competition between private and state-owned enterprises.

Elsewhere, as in the case of Kazakhstan, after 1996, small-scale privatization also began and increase in activity in the small business sector followed, marked with increased state support for small businesses and the development of a non-governmental sector for supporting small businesses, leading the country to macroeconomic stabilization.

Third stage: Rapid Economic Growth, Modernization and Competitiveness (2004 - 2017)

Since 2004, the country has experienced above-average GDP growth. During this stage, the State has paid increased attention to support private businesses. Measures have been taken to liberalize entrepreneurial activity and increase the role of private business in macroeconomics. As a result, the scope of benefits, including protection of shareholders,

handing over of the responsibility and accountability of the executive bodies of business companies over to the supervisory boards, and frequency of mandatory meetings of shareholders (founders) has increased.

During this stage, several serious structural changes took place. Agriculture, which used to be the largest industry and oriented largely towards generation of GDP, besides GDP, has been moved down, so also to lower its impact on the export scenario that has changed. Consequently, cotton is currently not the main commodity earmarked for export, as before.

An important requirement for flourishing local markets and for filling domestic markets with quality goods and services is the ease of availability of imported manufacturing equipment and essential raw goods. It should be especially emphasized that almost half of the imports that entrepreneurs made during this phase from abroad were those of machinery and equipment, as well as energy carriers. Consequently till date, some of the most demanded items are the ones meant for modernization of the enterprise, viz. the machines and equipment available at State regulated (subsidized) lower customs tariff.

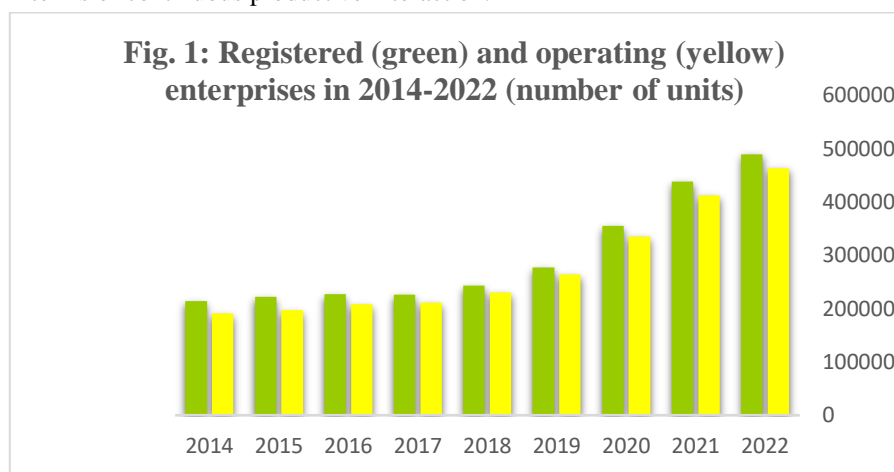
During the implementation of the so called “anti-crisis program” program (2008-2012), the stage of transforming the economy really took speed. The program envisaged not only maintaining a stable performance, as well as supporting domestic exporters and stimulating domestic demand, but also gradually accelerating the process of modernizing the economy. In the neighboring republic of Kazakhstan, by contrast, due to insecurity of the national economy and its susceptibility to external influences during the global financial and economic crisis (2008-2012), the local economy, including profitability levels of entrepreneurs, has suffered more losses than that in Uzbekistan.

Fourth Stage: Implementation of “Strategy of Action”

It should be emphasized that since 2017 Uzbekistan has entered a new (fourth) stage of economic development. Under the leadership of President Mr. S. Mirziyayev, unprecedented large-scale reforms have begun in all areas of the economy, especially in the development of small businesses and private entrepreneurship. Furthermore, the program “Strategy of Action” meant for the years 2017-2021, was successfully adopted and implemented, following which a tangible change has set in, especially impacting the important fields of financial and monetary relations, credit (banking) system, development of export-import relations, State support in the social sphere, and the formation and development of entrepreneurship and its support from the State. As duly acknowledged by the Asian Development Bank (Tadjibaeva, 2019), impressive results have been demonstrated in terms of growth in nearly all the sectors of the economy. At the present time, a yet another program for a new society - “New Uzbekistan” is being formed. Despite the difficult period of economic setbacks caused by the COVID-19 pandemic, Uzbekistan has registered stable pace of development in all spheres of economic life (Anon., 2021; 2022; Dani, et al., 2019, 2022; Dani, 2020, a, b).

In the neighboring Republic of Kazakhstan, according to the Bureau of National Statistics (Anon, 2022), as of January 1, 2022, the number of registered small and medium-sized businesses has also risen to 1,694,672 units. Out of those, over 1,431,647 are operating units, making up 84.5% of the total number of registered enterprises. As of 01.01.2022, in the sectorial context, the largest numbers of enterprises and organizations have been registered (excluding farms) in trade (33.84% of the total number of registered enterprises), manufacturing (19.54 percent), agriculture (9.99%) and construction (9.29%).

Data presented in the following graph (Fig 1) reveal that here in Uzbekistan, during the years 2014-2022, the increase in the number of registered enterprises has indeed been formidable and comparable with the number of operating enterprises elsewhere. It is noteworthy to mention that the balance between registered and operating enterprises herein has remained stable in terms of continuous productive interaction.



Source: State Committee on Statistics of the Republic of Uzbekistan

CONCLUSION

Achieving the goals set for State regulation of entrepreneurship in any economy involves formidable and even difficult tasks. In Uzbekistan, therefore it is no surprise that the same still present tougher challenges, first and foremost, in terms of constitution and effective operation of specific and well-defined governmental bodies needed for timely improvement of the essential means, responsible for progressive evolution and implementation of the ambitious yet realistic, globally oriented economic policy.

Our extended studies also serve to highlight the fact that in an increasingly complex system of economic relations between the State and private enterprise such as the present, the economic management bodies and regional authorities, indeed have an increasingly important role.

In all of ours and in other parallel case studies concerning the formation and functioning of entrepreneurial structures in the Republic of Uzbekistan, it has been overwhelmingly concluded that without targeted and realized industrial production, more so without excluding the influential agricultural sector, Uzbekistan will not be able to rapidly achieve much desired steady economic success, thereby also attracting global markets with quality goods, investments, as well as jobs. Accent also needs to be placed specifically on the task of resolving the problem of lack of proportionality between supply and demand in particular sectors of the economy which needs to be progressively and constantly addressed and mitigated.

From these detailed analyses of both national as well as international projects, several still being operated by international organizations directly impacting the development of the entrepreneurial structure in Uzbekistan, it becomes amply evident that in the context of desired globalization and integration of the world economy, and therefore especially for effective functioning and development of the system of State regulation and support for entrepreneurship of the government of Uzbekistan, it becomes necessary to improve on a priority basis the ongoing reforms in the various spheres of economic influence, oriented in the following directions:

- Development of a National Innovation System, one that ensures the creation of competitive products and services, and
- Development of electronic and print media for the ease of global communication, which ensure the information flow between government departments and the business environment, as well as between the government and consumers.

Furthermore, it is our firm belief that these and other measures would also serve to slow down the "brain drain" of promising specialists. As seen in many developing countries, such a process is also gradually accelerating in Uzbekistan.

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CITE AS

Amonov, M.O, & Dani, R.G. (2022). Need for revamping the systems of State regulation and essential support of entrepreneurship in the wake of the progressive globalization of Uzbekistan. Global Journal of Research in Agriculture & Life Sciences, 2(6), 1–5. <https://doi.org/10.5281/zenodo.7362764>