



ECONOMIC DEVELOPMENT IN UZBEKISTAN: RESULTS OF 2015 AND FUTURE PRIORITIES

Despite the negative effects of the global financial crisis on the economy of Uzbekistan, the developments in 2015 demonstrated that Uzbekistan achieved a considerably high economic growth rate and macro economic stability due to the consistent implementation of the economic program, the priorities of which include the provision of fundamental structural reforms, protection of private property and small business interests, etc.

According to the ranking of the World Economic Forum, Uzbekistan managed to enter the list of the top five countries with the fastest growing economies in the world based on the development outcomes for 2014-2015 and forecasts for 2016-2017. For instance, at the end of 2015, the country's gross domestic product (GDP) grew by 8% and the industrial output increased by 8%, while agricultural production and construction works increased by almost 7% and 18% respectively. The annual state budget was executed with a surplus of 0.1% of GDP. The inflation rate stood at 5.6%, which is within the forecasted parameters. Uzbekistan managed to achieve a surplus in foreign trade balance. The public debt level did not exceed 18.5% of GDP in 2015.

According to the World Bank's (WB) report, Uzbekistan is currently among the top ten countries in the world, which achieved the best results in improving the business environment in 2015. Actually, according to the rating of «Doing Business» prepared by the WB, Uzbekistan managed to improve its ranking from 103rd to 87th position. Moreover, according to the indicator, namely, «Getting Credit», in the last three years, Uzbekistan's ranking rose from 154th to 42nd position improving its ranking by 63 positions last year.

Due to the measures which were undertaken to lessen the role of government in economy, the share of small businesses in GDP rose from 31% in 2000 to 56.7% in 2015. In 2015, over 33% of industrial and 98% of agricultural products were produced by the small and medium-sized enterprises. 77% of the total employment account for small and medium-sized enterprises.

There is also a dynamic development in the service sector. In 2015 the volume of paid services and retail trade turnover increased by 10.8% and 15% respectively. The share of service sector in GDP reached 54.5% in 2015 compared to 49% in 2010. The banking system has also been further strengthened. In 2015, total assets of the banking system increased by 23,3% compared to 2014 and reached 7.8 trillion soums.

In 2015, implementation of measures and investment projects on structural transformations, modernization as well as formation of modern infrastructure ensured the investments to increase with an amount of \$15.8 billion, which is 9.5% more than in 2014. Over \$3.3 billion or 21% of the total investments were foreign investments, 73% of which were foreign direct investments. Over 67.1% of investments were made in the fields that are necessary for the development of the industrial sector. As a result, 158 large production facilities, which were worth \$7.4 billion, have been commissioned. Besides, in 2015, fundamental structural changes took place in the agricultural sector. More than 7.5 million tons of grain and more than 3.35 million tons of cotton were harvested.

According to the statistical data, the real per capita income increased by 9.6% and increased from \$5,536 in 2014 to \$6,068 in 2015. It should be noted that the share of revenues from business activities

increased to 52% in 2015 compared to 47.1% in 2010.

Uzbekistan is planning to boost the real GDP of the country by at least twofold by 2030. In order to achieve this goal, the average annual growth rate should not be less than 4.8%. Moreover, the country intends to increase the share of industry in GDP to 40% by 2030, which was 33.5% in 2015, and decrease the share of agriculture from 16.6% in 2015 to 10.8% by 2030. It should be noted that Uzbekistan is going to focus on reducing the production of cotton from 3.35 million tons to 3 million tons by 2020, which will help to optimize the irrigation strategy of the country. Furthermore, Uzbek officials announced that by 2030 they are planning to reduce the energy intensity of GDP by 2 times by introducing energy saving technologies nationwide, as well as to increase the production of textile and light industry products, fruits and vegetables by 5.6 and 5.7 times respectively.

Uzbekistan also scheduled that by 2020 the country would widely introduce the information and communication technologies (ICT) to the economic sector. It must be mentioned that in 2015 the ICT share accounted for only about 2% of Uzbekistan's GDP. Therefore, the Uzbek Government pays particular attention to the acceleration of the creation of the «Electronic Government» system.

Therefore, the most important tasks for Uzbekistan in the near future perspective are to increase the competitiveness of the economy and to strengthen the support for the export enterprises. It is obvious that Uzbekistan will use all its available reserves in order to reach the forecasted economic indicators to provide deep structural transformations and modernization of the country.

Politics, Foreign Affairs and Security

- The President of Turkey, Recep Tayyip Erdogan, approved the new government headed by the new Prime Minister, Binali Yildirim. Tugrul Turkes, Mehmet Simsek and Numan Kurtulmus retained their posts as Deputy Prime Ministers in the new government and were joined by Veysi Kaynak and Nurettin Canikli.
- During his official visit to Tashkent, the Minister of Foreign Affairs of Russia, Sergey Lavrov, and the President of Uzbekistan, Islam Karimov, discussed prospects for the multifaceted Russia – Uzbekistan cooperation within the framework of the agreement on the main directions of development and intensification of economic cooperation in 2015-2019.
- On the sidelines of the Shanghai Cooperation Organization's (SCO) Foreign Ministers Council meeting held in Tashkent, the parties signed a number of documents including India's and Pakistan's accession to the SCO, the draft Action Plan for 2016-2020 for implementation of the SCO development strategies up to 2025 and Tashkent Declaration for the 15th Anniversary of the SCO.
- During his official visit to Baku, the OSCE Parliamentary Assembly's special representative on the South Caucasus, Kristian Vigenin, and the Minister of Foreign Affairs of Azerbaijan, Elmar Mammadyarov, discussed the current situation on the Nagorno-Karabakh issue and highlighted the necessity to strengthen the parliamentary support to the peace process of the Armenia-Azerbaijan conflict.
- During his official visit to Bishkek, the First Deputy Prime Minister, Minister of Interior, Crown Prince of Saudi Arabia, Muhammad bin Nayef bin Abdulaziz Al Saud, and the Minister of Interior of Kyrgyzstan, Melis Turganbayev, discussed the ways to strengthen the cooperation between two countries in security. The parties signed a comprehensive cooperation agreement in the field of counter-terrorism, fighting against organized crime, illicit trafficking of drugs, anti-corruption and informatics crimes.

Economy, Finance and Energy

- According to the report of the BP Azerbaijan, in the first quarter of 2016 the country produced 8 million tons of oil. Azerbaijan's daily oil output reached 651,000 barrels dur-

ing the reporting period. It was also mentioned in the report that Azerbaijan produced 31.3 million tons of Azeri Light oil in 2015 versus 31.5 million tons in 2014.

- China National Petroleum Corporation (CNPC) reported that the total volume of investments made by the company in the project of the Bagtiyarlyk contract area in Turkmenistan reached \$5.93 billion. It was also announced that current daily production capacity of the contract area reached 47.9 million cubic meters. Over 46 billion cubic meters were supplied by Turkmengas state concern from the Bagtiyarlyk contract area to China since 2009.
- The President of the European Bank for Reconstruction and Development (EBRD), Suma Chakrabarti, and the Chairman of the Board of KazTransGas, Kairat Sharipbayev, signed an agreement on €294 million for projects aimed at increasing the use of domestically produced natural gas and largely replacing the use of coal in Kazakhstan. The EBRD loan equivalent to €242 million will be allocated to KazTransGas's subsidiary Intergas Central Asia Company, to upgrade its gas storage capacity from 2.6 billion cubic meters to 4 billion cubic meters.
- The Deputy Chairperson of the State Committee on Investment and State-owned Property Management of Tajikistan, Nigina Anvari, stated that the country would attract \$1 billion in foreign direct investment in the mining sector in the next three years. It was also noted that two oil refineries with a total capacity of 2 million tons, three cement tons with a total capacity of 3 million tons, and three enterprises of the chemical industry would be put into operation in the country during 2016-2018.
- The Ministry of Economy of Uzbekistan announced the country's plans to save over 500 million kWh of electricity and 150 million cubic meters of natural gas in 2016. The country will be able to reduce energy consumption due to the implementation of the Energy Efficiency Facility for Industrial Enterprises Project.
- According to the Minister of Energy of Kazakhstan, Kanat Bozumbayev, the country is planning to produce more than 24,080 tons of uranium and maintain global leadership in this industry in 2016. It was also noted that in January–March 2016 Kazakhstan produced over 6,000 tons of uranium.

- The Prime Minister of Russia, Dmitry Medvedev, announced that restrictions against countries that joined the anti-Russian sanctions would be prolonged until the end of 2017.
- The World Bank's (WB) Board of Executive Directors approved a \$20 million credit for the Modernization of Real Property Registration and Cadaster Project in Uzbekistan. The agreement planned to be signed in a few months. The aim of the project is to create an electronic and unified real property registry and cadaster in the State Committee of Uzbekistan.
- On the sidelines of the Astana Economic Forum 2016, the Chairman of the National Bank (NB) of Kazakhstan, Daniyar Akishev, stated that according to the forecasts of the NB in 2016 the inflation measured on the consumer price index would not exceed 8%.
- During his official visit to Tehran, the Prime Minister India, Narendra Modi, announced the country's plans to give \$500 million credit to make Iran's Chabahar port a regional trading hub, which would strengthen the economic growth of the region.

Society and Culture

- During the meeting of Interstate Commission on Sustainable Development (ICSD) of the International Fund for saving the Aral Sea (IFAS), held in Ashgabat, the parties discussed the issues in the field of regional environmental protection and interstate cooperation in Central Asia.
- The Ministry of Emergency Situations of Kyrgyzstan reported that mudflows occurred in several districts of the Osh region, namely, the Kara-Kulja, Nookat and Alai districts, due to heavy rains. As a result of the mudflows, the Nookat-Papan and Gulcho-Budalyk roads were blocked.
- The Aerial Forest Protection Service of Russia reported because of forest fires a state of emergency was introduced in three regions of the country, namely, the Amur region, Buryatia and the Trans-Baikal region. According to the service, 97 forest fires were recorded on the territory of Russia, covering a total area of 128,973 hectares, including 17 fires covering 81,175 hectares of forest reserves. A special fire prevention regime has been declared in 39 regions.