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## THE ROLE OF ECONOMIC SECTOR IN UZBEKISTAN

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**Abstract:** The economic sector is a part of the economy, which includes various branches and types of activities. Society is a set of historically determined cooperative activities of people. This article discusses what the economic field is and its role in the development of society.

**Keywords:** Economy, government, society, branch, development.

Uzbekistan, with a population of 35,648,100, is ranked 41st in the world, just behind Saudi Arabia. Located in Central Asia, it spans 448,924 square kilometers, ranking 56th globally, right after Papua New Guinea. In 2022, Uzbekistan's economy stands at a GDP of \$80,391,853,887.40, ranking 71st globally. It follows Luxembourg, with a GDP of \$81,641,807,865.76. The GDP per capita in Uzbekistan is \$2,255.15, placing it at 143rd worldwide.

It lags behind Nicaragua, with a GDP per capita of \$2,255.43. Uzbekistan's economic position reflects steady growth and development, with potential for further advancement in various sectors to enhance its global standing.

Uzbekistan's primary sector, dominated by agriculture, thrives due to its diverse climate and abundant natural resources. With 58.3% of the land dedicated to agriculture, the country produces a variety of crops and animal products, including milk, wheat, carrots/turnips, cotton, potatoes, tomatoes, grapes, vegetables, watermelons, and apples.

Despite contributing 17.9% to the GDP, agriculture plays a crucial role in the economy, providing sustenance and livelihoods. The sector's significance lies in the wide range of products it offers, ensuring food security and economic stability.

The country boasts diverse geological formations, enabling a rich array of natural resources. Its primary sector thrives on abundant reserves of natural gas, petroleum, coal, gold, uranium, silver, copper, lead, zinc, tungsten, and molybdenum. These resources play a pivotal role in driving the economy and shaping various industries.

Uzbekistan's oil economic activity is significant, with a daily production of around 5,090 barrels. Despite ranking 60th globally, the country's oil reserves of 594,000,000 barrels represent only 0.04% of the world's total reserves.

Uzbekistan's gas production of 51 billion m<sup>3</sup> in 2020 secures its position as the 16th largest natural gas producer globally.

The secondary sector comprises industries that transform raw materials from primary activities into finished products for consumption. In Uzbekistan, main industrial products include textiles, food processing, machine building, metallurgy, hydrocarbon extraction, and chemicals. These industries play a crucial role in the country's economy by producing goods for domestic use and export.

Manufactures in Uzbekistan's total exports account for 39.79% in 2023, indicating their significance in driving the country's economy and global trade relations.

The tertiary sector in Uzbekistan encompasses a wide range of services that contribute to the economy through knowledge and time. This sector involves intangible goods such as attention, advice, and expertise, catering to both consumer and business needs. The main tertiary activities in Uzbekistan include healthcare and medical care, education and training, banking and finance, communication and information exchange, tourism and hospitality, transportation and logistics, and security and protection. These services play a crucial role in enhancing productivity, performance, and meeting the diverse needs of the population.

Highlighting these, Uzbekistan's tourism plays a vital role in its economy, contributing significantly to its GDP. With an impressive 6,749,000 annual arrivals, the industry thrives. Popular destinations include the historical cities of Samarkand and Bukhara, renowned for their architectural marvels. With a tourist arrivals-to-population ratio of 0.1893, Uzbekistan's cultural richness continues to attract visitors globally.

Another example of tertiary economic activity is the mobile cellular economic sector, with approximately 35.7 million subscriptions, supporting technological growth by enhancing connectivity and fostering digital innovation across various industries.

### **Import Activities of Uzbekistan**

The import activities of Uzbekistan are of high importance, with imports amounting to 44.31% of GDP in 2023, totaling \$3.56 billion. Uzbekistan's major import activities include vehicle parts/accessories, packaged medicine, cars, wheat, and refined petroleum. Its top import partners are China (24%), Russia (19%), Kazakhstan (12%), South Korea (8%), and Turkey (6%).

### **Exports Activities of Uzbekistan**

In Uzbekistan, with exports totaling \$21.92 billion in 2023, accounting for 27.27% of GDP, export activities play a medium to high importance role in driving economic growth and stability. Uzbekistan's export activities are diverse, with top partners being Switzerland, Russia, China, Turkey, and Kazakhstan. Key commodities include gold, cotton yarn, garments, natural gas, and refined copper.

As of 2023, Uzbekistan's GDP is approximately \$81 billion, with primary growth driven by energy and infrastructure sectors.

- **Unemployment Rate:** The official unemployment rate in Uzbekistan stood at 9.3% in 2023, reflecting ongoing reforms in agriculture and industry to create jobs.

- **Trade Balance:** Uzbekistan's exports are dominated by natural gas, gold, and textiles, while key imports include machinery and food products. The trade deficit remains a challenge, but diversification efforts are underway.

The Role of Investments in Economic Development Investments serve as a catalyst for economic transformation. They enable Uzbekistan to leverage its strategic geographic location and abundant resources. FDI, particularly from countries such as China, South Korea, and Russia, has accelerated development in energy, 17 agriculture, and manufacturing. Local investments focus on social projects and small-to-medium enterprises (SMEs).

- **Gross Fixed Capital Formation (GFCF):** In 2023, GFCF accounted for 34% of GDP, underscoring the role of investments in driving economic expansion.

- **FDI Inflows:** Foreign direct investment has grown by 25% year-on-year, with significant contributions from China, Russia, and South Korea. Key projects include renewable energy plants and large-scale industrial zones. **Key Sectors Benefiting from Investments** Energy Sector Uzbekistan has prioritized the energy sector, with significant investments in renewable energy projects. Solar and wind energy initiatives are being developed with the support of international companies like ACWA Power, aiming to diversify energy sources and reduce reliance on fossil fuels. Agriculture Agriculture remains a cornerstone of Uzbekistan's economy, employing over 25% of the population. Investments in modern irrigation technologies, mechanization, and value-added processing have increased productivity and export competitiveness. Cotton and Textile Reforms: Recent privatization in the cotton sector has boosted efficiency, reducing reliance on manual labor and enhancing export revenues. Infrastructure Uzbekistan's ambitious infrastructure projects, such as the China-Kyrgyzstan-Uzbekistan railway and urban modernization programs, have attracted both domestic and foreign investments. Improved infrastructure enhances

connectivity and supports industrial growth. Information Technology The IT sector is emerging as a new investment frontier. Uzbekistan has established IT parks and provides tax incentives to tech startups. These initiatives aim to position the country as a regional tech hub. Logistical Barriers: As a landlocked country, Uzbekistan faces high transport costs for imports and exports, limiting its global competitiveness.

• **Corruption and Bureaucracy:** Despite reforms, inefficiencies in public administration deter potential investors. Challenges in Investment Management Despite progress, several challenges hinder investment efficiency in Uzbekistan:

- Complex regulatory frameworks discourage some foreign investors.
- Limited integration into global financial markets restricts funding opportunities.
- Transparency issues and bureaucratic inefficiencies undermine investor confidence.

Logistical Barriers: As a landlocked country, Uzbekistan faces high transport costs for imports and exports, limiting its global competitiveness.

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